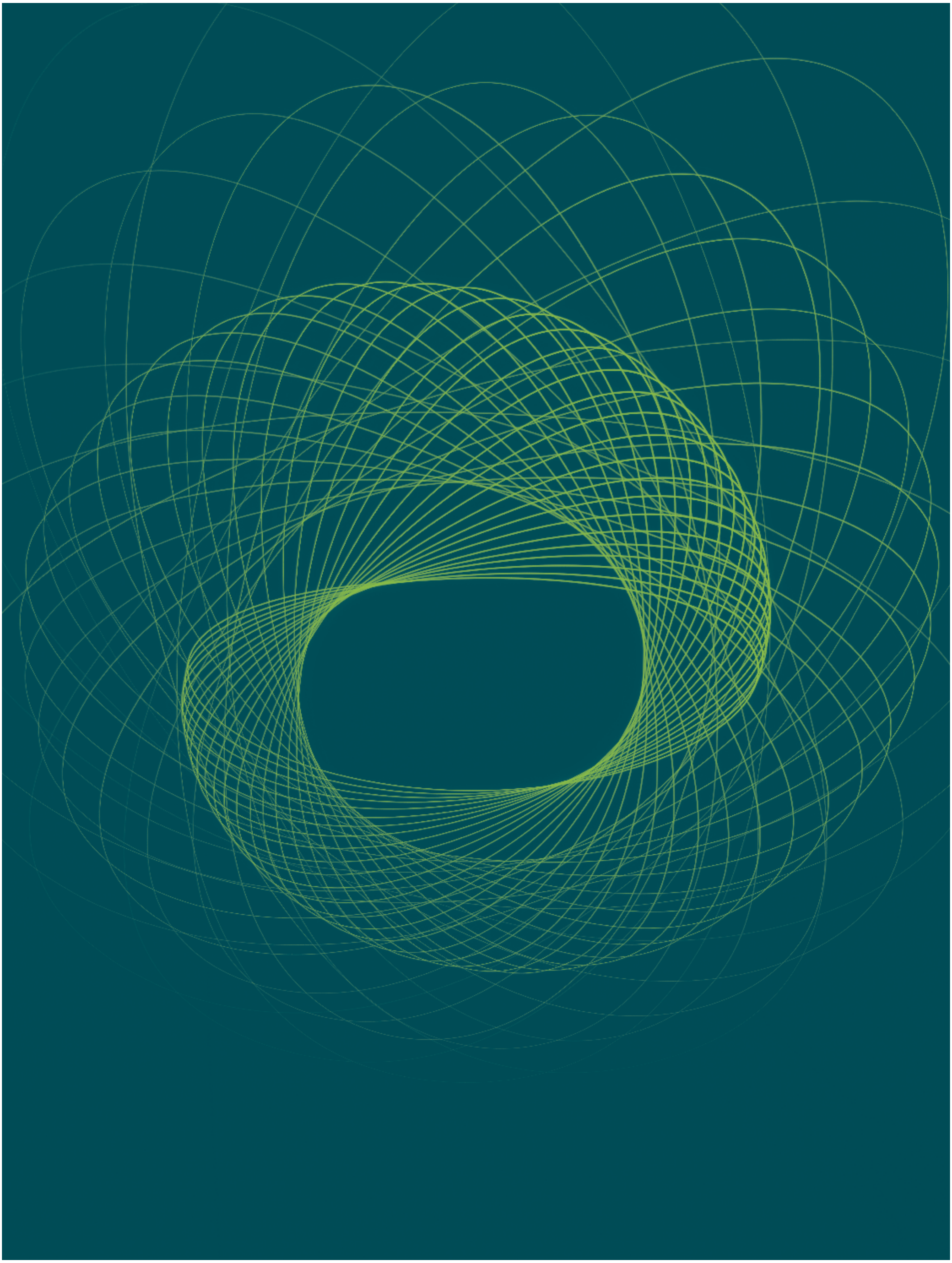
Annual Report 2018

Landis+Gyr
manage energy better



At a Glance

Global leader in
Smart Metering and
Smart Grid solutions

Over **90 million**
Smart Grid connected intelligent
devices deployed

300+ million
devices installed globally –
largest installed base worldwide

More than **14 million**
meter points under
managed services

More than **20 million**
meter reads delivered every
day under cloud services

120+ years
Of service to customers
as trusted partner to utilities

3,500+
served utilities worldwide

Over **USD 1 billion**
of self-funded R&D
investment since 2011

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Landis+Gyr is the leading global provider of integrated energy management solutions to help utilities solve their complex challenges in smart metering, grid edge intelligence and smart infrastructure. With sales of USD 1.8 billion, Landis+Gyr employs 5,600 people in more than 30 countries across five continents, with the sole mission of helping the world manage energy better.

Learn and discover more at
www.landisgyr.com

Key Figures 2018

In million USD, unless otherwise indicated	Financial year ended March 31, 2019	2018	CHANGE Actual Currency	Constant Currency
Order Intake	2,079.0	1,574.4	32.0%	34.0%
Committed Backlog	2,603.1	2,389.0	9.0%	12.5%
Net Revenue	1,765.2	1,737.8	1.6%	3.1%
Reported EBITDA	251.1	141.3 [2]	77.7%	
Adjusted EBITDA	237.9	208.2 [2]	14.3%	
Adjusted EBITDA as % of Net Revenue	13.5%	12.0%	–	
Earnings per Share – basic (USD)	4.15	1.57	164.3%	
Free Cash Flow [1] excluding M&A	123.5	87.5	41.2%	
Net Debt	17.2	40.5	(57.5%)	
Dividend per Share (CHF)	3.15	2.30	37.0%	

1 Net cash provided by operating activities, minus net cash used in investing activities, excluding merger & acquisition activities.

2 Following the adoption of ASU 2017-07, EBITDA for FY 2017 has been revised down by USD 3.8 million.

COMMITTED BACKLOG				
Americas	1,754.9	1,679.0	4.5%	5.7%
EMEA	754.6	654.1	15.4%	25.6%
Asia Pacific	93.6	55.9	67.4%	77.3%
Group	**2,603.1**	**2,389.0**	**9.0%**	**12.5%**

NET REVENUE TO EXTERNAL CUSTOMERS				
Americas	986.0	972.2	1.4%	2.5%
EMEA	632.5	627.2	0.8%	2.4%
Asia Pacific	146.7	138.4	6.0%	11.2%
Group	**1,765.2**	**1,737.8**	**1.6%**	**3.1%**

ADJUSTED EBITDA			
Americas	193.7	198.7	(2.5%)
EMEA	19.7	(12.0)	–
Asia Pacific	1.5	(9.6)	–
Corporate (incl. eliminations)	23.0	31.1	–
Group	**237.9**	**208.2**	**14.3%**

ADJUSTED EBITDA AS % OF REVENUE		
Americas	19.6%	20.4%
EMEA	3.1%	(1.9%)
Asia Pacific	1.0%	(6.9%)
Group	**13.5%**	**12.0%**

Comprehensive financial information can be found in the Financial Report 2018.

Net Revenue
in million USD
1,765.2 + 3.1%[1]

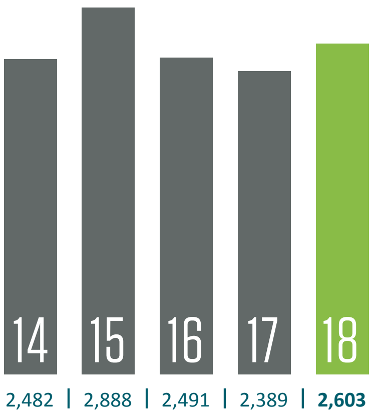
1 In constant currency

Adjusted EBITDA
in million USD
237.9 + 14.3%

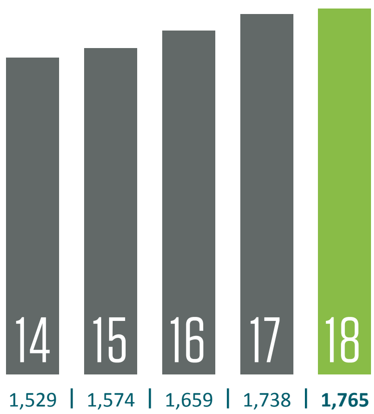
Free Cash Flow[2]
in million USD
123.5 + 41.2%

2 Net cash provided by operating activities, minus net cash used in investing activities, excluding merger & acquisition activities.

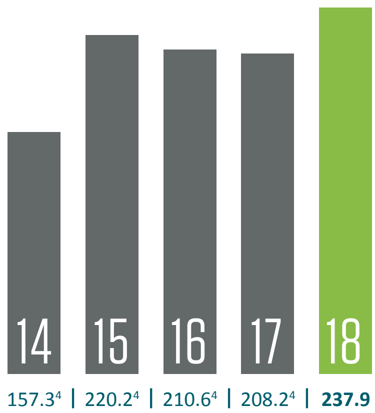
Committed Backlog in million USD



Net Revenue in million USD

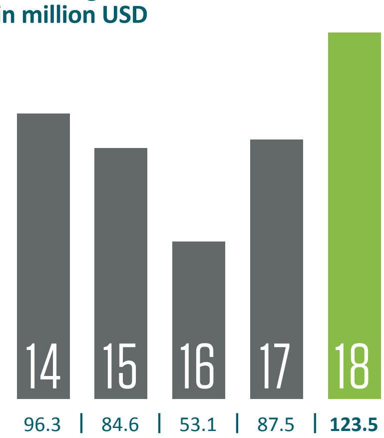


Adjusted EBITDA in million USD



4 Following the adoption of ASU 2017-07, EBITDA has been revised.

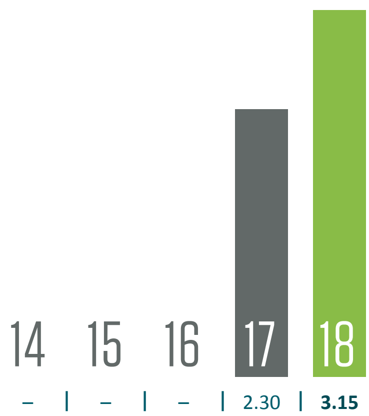
Free Cash Flow[3] excluding M&A in million USD



3 Net cash provided by operating activities, minus net cash used in investing activities, excluding merger & acquisition activities.

Earnings per Share (USD)

Dividend per Share (CHF)



Highlights 2018

Rotterdam, Netherlands / Map data © 2019 Google

April

Fair Meter Rollout in the Netherlands

Landis+Gyr is rolling out a unique smart meter design in the Netherlands in support of the Fair Meter Initiative, originally launched by a consortium of Dutch utilities including Liander (Alliander Group), Stedin, Juva and Enduris. The pioneering design enables significant savings in material usage.

May

JEA Accelerates Advanced Metering Deployment

Florida's largest energy supplier adds 250,000 meters to its existing Landis+Gyr network, to expand its Smart Grid program. The Company supports JEA's advanced metering and network infrastructure, under a long-term managed services contract.

Partnership with PEP to Expand Smart Metering and Related Services in Australia

Landis+Gyr and Pacific Equity Partners (PEP) signed an agreement to form a joint venture, called intelliHUB Holdings Pty, for the acquisition of Acumen Metering from Australia's largest energy retailer, Origin Energy Limited. The Acumen business includes managing and servicing 170,000 meters that have already been deployed and a material, long-term contract with Origin Energy for the rollout of additional Smart Meters across Australia.

Stockholm, Sweden / © 2019 Google Map Data

June

Participation in Next AMI Rollout in Sweden

Landis+Gyr entered into a framework agreement with Sinfra, a central procurement organization for the Swedish energy sector. This is a major growth opportunity for the Company in Sweden, where the entire Smart Meter infrastructure universe is set to be renewed by 2024. Landis+Gyr's offering includes its full Smart Metering solution portfolio, deployment and support services.

Signing of Smart Grid Deployment Contract with High Plains Power

Landis+Gyr reached an agreement with High Plains Power, based in Riverton, Wyoming, US, to provide advanced metering and network technology for the utility's Smart Grid deployment. The utility selected Landis+Gyr's Gridstream® AMI solution and plans to add distribution automation in the future.

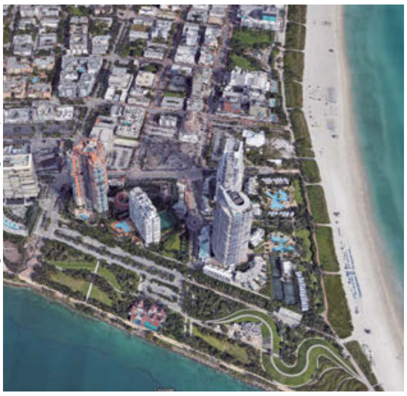
July

Release of New Street Light Controller

Operating as part of its Gridstream® Connect IoT platform, Landis+Gyr announced commercial availability of its newest street light controller that supports advanced monitoring and management of lighting, to improve energy and operational efficiency.

Frost & Sullivan Award for Fourth Time

Landis+Gyr accepted the Frost & Sullivan Global AMI Company of the Year Award. This is the fourth consecutive year in which the Company has received the prestigious Excellence in Business accolade.



Miami, Florida / Image © 2019 Google Map Data

August

KUA Selects AMI and MDMS Solutions

Landis+Gyr signed an agreement with Kissimmee Utility Authority (KUA), based in Florida, US, to supply advanced metering infrastructure and a meter data management system to modernize the utility's grid network.

New Contract with Enedis in France for Next Tranche of Linky Program

Landis+Gyr will supply approximately 20% of the next 13 million Linky meters as a part of the utility's planned 2023 rollout. The Company has been a trusted partner of Enedis on the project since 2007, helping upgrade all 35 million French residential meters to Smart Meters.

September

Contract Win with ESPH for Grid Modernization

Landis+Gyr was selected to provide Smart Grid automation technology and data services to Costa Rican utility ESPH, as part of a comprehensive grid modernization project. In addition to technology, the Company will provide data hosting services and project management support.

Groundbreaking Managed Services Contract in EMEA Region

Landis+Gyr took over Caruna Oy's AMI operations in Finland, in the region's largest Managed Services contract to date. The service includes full operative responsibility for 660,000 smart metering points over the next six years, and an optional extension for an additional three years.

October

SSVEC selects Landis+Gyr for Smart Grid Deployment

Sulphur Springs Valley Electric Cooperative signed a contract for an advanced metering technology upgrade to better manage peak demand and member services, including advanced meters and load control devices for nearly 2,000 irrigation pumps.

December

KCP&L and Westar expand Smart Meter Coverage

Landis+Gyr announced a series of project and managed services contract updates, including advanced metering deployments at Evergy Inc. subsidiaries Kansas City Power & Light Company and Westar Energy Inc.

New Contract from Jones-Onslow EMC

Jones-Onslow EMC selected Landis+Gyr to supply advanced metering and intelligent grid network technology. The grid modernization program includes the Company's Gridstream® AMI solution, along with 80,000 advanced meters.

January

Partnership with Sense to Add Next Generation Energy Management Solution

Landis+Gyr invested in and entered into a partnership to make Sense technology available within the Gridstream® Connect IoT platform, enabling utilities to provide a wide range of home energy management services to consumers.

February

PSEG Long Island Partners with Landis+Gyr

PSEG Long Island, New York, US, announced the roll-out of Smart Meters to some 250,000 homes in 2019. It is the utility's plan that all 1.1 million electricity customers will be equipped with advanced meters by the end of 2022.

March

We Energies expands AMI Deployment and extends Services Contact

We Energies, a subsidiary of the WEC Energy Group, Wisconsin, US, extended its advanced metering deployment to approximately 508,000 electricity customers, while adding Gridstream® Connect network components to support the expansion.

Selected by CLP for Hong Kong AMI project

Following on the successful pilot project in Hong Kong, Landis+Gyr was awarded the contract to extend the smart metering platform to deliver 900,000 meters and communications modules to CLP over the next three years.

Letter to Shareholders

Dear Fellow Landis+Gyr Shareholders,

Overall, we made very good progress in the 2018 financial year underpinned by our strong market position.

Landis+Gyr delivered the strategic, operational and financial requirements during FY 2018 to be a stronger, nimbler and increasingly profitable industry leader. The results for financial year 2018 represent progress towards the delivery of the targets we have committed to for our shareholders. The company grew in sales, Adjusted EBITDA and Free Cash Flow (excluding M&A activity). Importantly, we also saw the two previously loss-making regions, EMEA and Asia Pacific, deliver profitable results for the year.

FY 2018 Results
Landis+Gyr delivered improved financial results for the year. Through our leading-edge products and solutions, future revenue opportunities in all three regions were up meaningfully year-over-year. For the Group order entry reached USD 2,079.0 million equal to a book-to-bill ratio of 1.18. In addition, committed backlog was up 9% year-over-year, or 12.5% in constant currency, ending at USD 2,603.1 million. Again, each region notched increases compared to the prior year.

Net revenues grew 3.1% year-over-year in constant currency, to USD 1,765.2 million, with growth experienced in all three regions. Adjusted EBITDA rose more significantly, growing 14.3% year-over-year, coming in at USD 237.9 million, a margin of 13.5%, compared to 12.0% in FY 2017. Driving this margin expansion was sales growth combined with lower cost product introductions and general cost reductions. All regions were above break even, meaning our two previously loss-making regions managed to return to profitability. This accomplishment is the concrete first step on our roadmap to reaching our midterm targets. Finally, turning to Free Cash Flow (excluding M&A activity), it was up to USD 123.5 million, an increase of 41.2% year-over-year.

Andreas Umbach
Chairman

Richard Mora
Chief Executive Officer

The Board of Directors will propose to the 2019 AGM to distribute a dividend, to be paid out of capital reserves, of CHF 3.15 per share, which at year-end exchange rates equates to approximately USD 93 million, about 75% of the year's Free Cash Flow (excluding M&A activity). Landis+Gyr is returning cash to shareholders in two ways, via the dividend as well as the CHF 100 million share buyback program currently underway.

In short, during FY 2018 Landis+Gyr showed top-line growth – driven by structural market expansion, with improved profitability delivered by improved operating performance and cost control, all of which resulted in strong free cash flow.

Operational Excellence and Technology/Innovation
There are several items we would like to touch on in the area of operational performance and our relentless pursuit of improvements. A key pillar of our strategy is to constantly drive productivity and cost reductions. On this metric we are pleased to report the successful completion of our Project Phoenix restructuring program, which was targeted primarily at SG&A costs in Europe. It has now delivered USD 21.7 million in annual run rate savings, exceeding the USD 20 million target. In parallel, we have had localized cost initiatives in the other regions which have also yielded positive results in the financial year. Project Lightfoot is aimed at bundling and partially outsourcing manufacturing activities to enhance production efficiencies, lower supply chain costs and further reduce capital intensity. Lightfoot delivered USD 5 million in incremental savings during FY 2018, in addition to USD 5 million in prior periods. A further USD 15 million savings will be delivered over the next two years, for a total annualized impact of USD 25 million by the end of FY 2020. During the year we also experienced supply chain constraints in certain passive components, which increased our costs, particularly in H1, but also in H2. While the worst of these impacts appear to be behind us, some challenges remain and will continue to affect us into FY 2019.

Investments in R&D remain a key focus. During FY 2018 we spent USD 151.9 million, or 8.6% of the Company's annual sales, in Adjusted R&D expenses to further our capabilities and market offering. While temporarily down USD 6.1 million year-over-year, this change is largely due to the timing of some development projects as well as productivity improvements. Staying on the leading edge of the technologies necessary for intelligent endpoints, flexible communications and application enablement is essential to remaining the leader in our industry. To do this, we have nearly 1,400 engineering professionals that keep Landis+Gyr's offerings meeting the top industry trends and requirements. Software, both discrete and embedded, is an essential element in our offering and was the largest area of R&D spending, accounting for 74% of the total.

Solving Complex Utility Challenges
Helping the world manage energy better means we must continuously innovate as well as drive and apply technologies that solve complex utility problems around the globe. The evolving requirements around communications protocols, grid edge intelligence technologies and the need to integrate into a smart infrastructure model requires a breadth of an offering such as Gridstream Connect®. From the most advanced open standards based, multi-technology solution in the industry, to providing leading hardware, services and software capabilities – Gridstream Connect® – allows customers to deliver on their business cases. Our demonstrated capability in developing and delivering these critical utility ingredients, is part of what makes your Company unique, and we think the best positioned to capture the coming growth in utility infrastructure upgrade programs.

The trend towards increased utility infrastructure spending is global in nature, and the ongoing selection of Landis+Gyr's products, solutions and services by utilities speaks to our strong and enviable value proposition. We point to these important examples from FY 2018 as fresh evidence of Landis+Gyr's strong positioning across the globe:

- In March 2019, it was announced that We Energies signed a contract with Landis+Gyr to extend its advanced metering deployment to approximately 508,000 electricity customers, while adding Gridstream® Connect network components to support the expansion. The Managed Service contract was extended beyond 2030.
- On April 1, 2019, it was announced that Ameren Missouri will deploy Landis+Gyr's

Gridstream® Connect solution, including 1.27 million advanced electricity meters and 130,000 gas meters. The contract also includes an extension of Landis+Gyr's Managed Services, meter data management system (MDMS) and Command Center head-end system.
- In March 2019, CLP Power signed an agreement with Landis+Gyr to continue deploying a Gridstream® solution in their Hong Kong service territory. The agreement includes the supply of smart meters, communications modules and associated software applications.
- In the UK, the transition to the next generation smart meters (SMETS2) is now underway in scale since December 2018 with > 1,000,000 SMETS2 meters on the network. As the UK market leader, Landis+Gyr added new contracts and orders to committed backlog and now has more than 20 million meters deployed or under contract.

Strategy
The energy industry we serve is undergoing significant disruption from the "3D" drivers: Decarbonization of the generation mix; the widespread adoption of Decentralization and intermittent renewable energy resources; and the continued push for Digitalization of grid operations. These drivers translate into specific utility challenges, in the management of grid-resilience, grid-flexibility and grid-security.

Landis+Gyr is the leading smart metering solutions provider worldwide, serving over 3,500 utilities and energy retailers globally. Over the next decade many more utilities will deploy Smart Metering, Grid-Edge Intelligence, and Smart Infrastructure products and solutions to address these change drivers. It is our ambition to maintain and grow our market leading position over the mid to long term, while building on our three strategic platforms for growth: Smart Metering, Grid-Edge Intelligence, and Smart Infrastructure.

We believe smart metering plays a fundamental and essential role at the heart of the evolving grid, and that our market leadership and proven track record put us in the pole position to deliver on our three strategic platforms for growth.

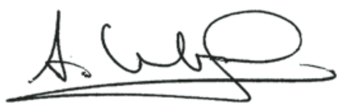
Mid-Term and FY 2019 Guidance
As announced at our Capital Markets Day on 29th January 2019, our new mid-term (by year end FY 2021) guidance is: net revenues are expected to grow annually on average by a mid-single digit percentage (relative to FY 2017), Adjusted EBITDA margin to be in the range between 13.5% and 14.5%, Free Cash Flow (excluding M&A) to be above USD 150 million per year and a dividend each financial year of at least 75% of Free Cash Flow (excluding M&A activity).

Landis+Gyr expects FY 2019 net revenue growth of approximately 2–5%, at constant currencies. Group Adjusted EBITDA is expected to be between USD 240 and USD 255 million. Free Cash Flow (excluding M&A) is expected to be between USD 120 million and USD 135 million, with a dividend payout of at least 75% of Free Cash Flow (excl. M&A). Due to project timing in some key markets, Landis+Gyr expects the first half of FY 2019 to be significantly weaker than the second half.

Positioned for Sustainable Growth
Each day the 5,600 Landis+Gyr employees, as well as key business partners, work incredibly hard to deliver value to our customers and to our shareholders. As a company we seek to be active and engaged corporate citizens of the communities in which we operate. We promote a long-term vision and contribute constructively, through the products and services we provide, to a reduced CO_2 footprint, both internally as well as for society at large.

Assisting utilities in tackling the various and complex challenges they face, from billing and revenue assurance to distributed energy resource management and demand response is what we are committed to do. We thank you, our shareholders, for the support and ownership of Landis+Gyr, and that you have joined us in helping to achieve our mission.

Yours sincerely,



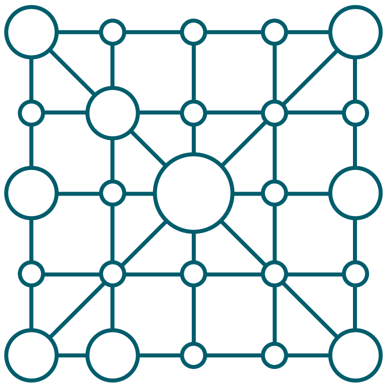
Andreas Umbach
Chairman

Richard Mora
Chief Executive Officer

Strategy & Business Model

Landis+Gyr's ambition is to grow its market leading position over the mid to long term, by building on three key strategic growth platforms: Smart Metering, Grid Edge Intelligence, and Smart Infrastructure.

Three Strategic Platforms for Growth



The energy industry is undergoing significant disruption from the "3 D's": Decarbonization of the generation mix, the widespread adoption of Decentralized and intermittent renewable energy resources, and the continued push to Digitalize grid operations. Collectively these translate into specific utility challenges in managing the resilience, flexibility and security of the grid.

At the same time, consumer engagement is becoming more important as energy "prosumers" both produce and consume energy, deploying their own power from distributed energy resources. This ongoing disruption to the electric grid is blurring the lines between power generation and consumption.

Evolving Role of the Meter

In response, utilities are recognizing the importance of the Smart Meter and the role it plays at the grid edge, as they address these "3D" drivers. Specifically, there is a growing need for intelligence, control and flexibility in the distribution grid. This need is magnified at the grid edge, where many new disruptive resources and their associated load-dynamics are located.

Utilities are expecting to deliver a diverse array of new use-cases with next-generation Smart Meters. This "2nd-wave" is already happening, and is driving the need for enhanced system functionality, more intelligence in the grid, flexible communications networks, and a broader suite of value-add software applications and services.

The second wave of metering, with enhanced edge intelligence, plays a central role enabling customized functionality at a local level. Simply put, the Smart Meter, in the eyes of the utility, is becoming an even more valuable utility-owned asset at the grid edge.

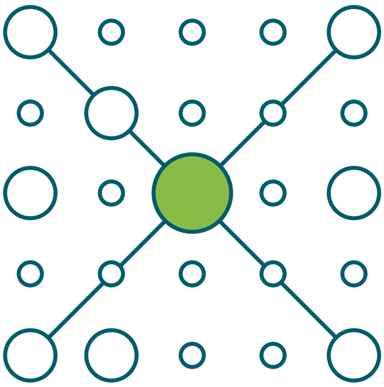
Landis+Gyr Strategy Builds on Three Platforms for Growth

Landis+Gyr's strategy is to capitalize on these industry dynamics, coupled with the evolving role of the meter, to build on three growth platforms for the business:

- **Smart Metering**
  Landis+Gyr continuously invests in targeted enhancements to the Group's core metering offerings in electricity, gas and heat. This positions the Company to successfully capture a significant share of new roll-outs, expanding the penetration of Smart Metering across geographies globally with an enhanced portfolio of advanced metering infrastructure (AMI) products, solutions and services. Advanced Smart Metering solutions offer new capabilities in analytics and connectivity, with faster response times for fault localization, and predictive measures for grid-hardening. Landis+Gyr sees smart metering functionality as an important subset of grid-edge intelligence.

- **Grid Edge Intelligence**
  While utilities and retailers continue to require aggregated decision making at the head-end of their systems – in the cloud or on site – emerging "2nd-wave" use-cases require distributed decision-making and automation capabilities located at the grid edge. Landis+Gyr is enabling this transition through its next-generation grid-edge metering platform. By building more grid edge intelligence in Smart Meters and connected endpoints, Landis+Gyr enables a broader set of use-cases requiring flexible communications networks,

Smart Metering



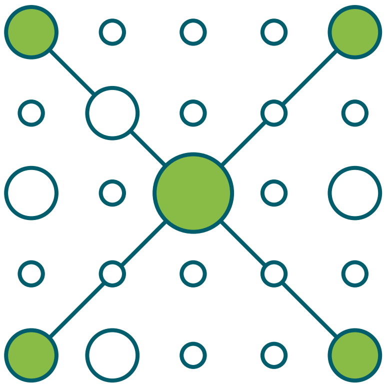
Smart Meters are managed from a head-end system via a two-way communication network.

Market size in 2017

in billion USD

5.6

Grid Edge Intelligence



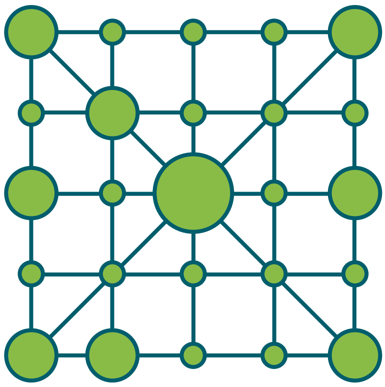
The increasing number of interactions and processes at the edge of the grid requires Grid Edge Intelligence allowing intelligent management of decentralized processes and infrastructure, and avoiding data disruptions in the communication network.

Market size in 2017

in billion USD

3.2

Smart Infrastructure



New emerging opportunities can be addressed by the integration of proliferated intelligence beyond existing energy and Smart Metering infrastructure resulting in new applications, enhanced end-user engagement and extended service offerings.

Market size in 2017

in billion USD

3.8

enhanced system functionality, and value-add software and services. The Company calls this Gridstream® Connect, a platform for utility Internet of Things (IoT) that encompasses the Group's next-generation metering platform, edge intelligence card, next-generation network equipment, network and device management software, and an app store and software development kit to support third-party applications.

- **Smart Infrastructure**
  Landis+Gyr leverages its Gridstream® Connect platform to add further devices, sensors, applications and services, such as smart street lighting, EV charging, smart water metering and other infrastructure opportunities, in order to deliver continued top-line growth. Today, the Group already has proof-points in smart infrastructure verticals, built on in-house know-how, partnerships, and previous acquisitions. To maintain growth in smart infrastructure markets, we will continue to evaluate "buy vs. make" opportunities.

Flexibly Serving a Broad Range of Customer Needs

In the face of shifting market dynamics and constrained resources it is Landis+Gyr's unchanging mission to help energy providers, consumers and society to manage energy better, while staying true to the Company's values of trusted partnership, customer focus, innovative spirit and commitment to quality.

It is Landis+Gyr's ambition to leverage its position as an industry leader in AMI, to create an ecosystem of Connected Intelligent Devices as the IoT foundation for value-added process automation and business applications in Smart Grid, Smart Cities and beyond. Ultimately, the Company aims to maximize the reach and capabilities of the connected space by extending the IoT ecosystem beyond Smart Metering. This strategy is underpinned by the Group's commitment to operational excellence and cost-competitiveness, driving business efficiency through an efficient supply and delivery chain, as well as a platform-based modular product development that provides the Company with flexibility by engaging best-in class assembly partners for design, manufacturing, and supply chain services.

Landis+Gyr adapts its activities to respond to the specific needs of its customers. These range from the purchase of individual products or software applications, to complex and comprehensive full-service partnerships including technology and operational excellence consulting, as well as the installation, operation and continuous optimization of the metering, sensor and analysis infrastructure.

The "Product business" focuses on the delivery of metering devices to customers that then instal the devices themselves. The "AMI Project business model" involves hardware, software, and integration in the existing infrastructure. The Gridstream® suite ensures reliable energy management and full interoperability among multi-network systems, meters, and communication technologies. Finally, the "Services based business model" includes delivery, deployment, integration, and operation on behalf of the customer.

Landis+Gyr offers utilities a broad range of customized services, including Managed Services contracts to completely outsource AMI operations, in tandem with comprehensive training, installation and software design support. The Company complements these offerings with a suite of customer service solutions related to software licenses, cloud services, and Software as a Service (SaaS).

Tailored to Support the Industry's Transformation

Utilities need to adapt and respond to new responsibilities, including environmental performance, resilience, expanded choice, and innovation. In addition, the regulator can become a game-changer, advocating political concerns and growing consumers interest. On top of all these factors, operational requirements push utilities to make technology investments to modernize aging infrastructure and to keep the pace in a transforming industry.

In times of a rapidly and radically changing market environment, utilities are looking for a flexible partner, offering state-of-the-art solutions and a flexible business model that goes far beyond traditional product delivery.

Product business

The product business is the traditional business approach and proven over a century. It is still the preferred model for some customers that are well staffed and often manage their existing, integrated infrastructure.

AMI project business model

Whenever technology substitution or new consumer needs impact processes and require an upgrade of the already installed metering and IT environment, third-party support is of utmost importance. As the designer of the technology, Landis+Gyr is optimally qualified to hand over its solutions in turnkey projects.

Services based business model

In a competitive marketplace, business models evolve to meet changing requirements. As a result, a growing number of utilities have decided to outsource Smart Metering infrastructure operations and associated processes to Landis+Gyr, the globally leading provider of this kind of managed services.

Performance Review

As the global leader in the growing Smart Metering industry, Landis+Gyr has proven its ability to capitalize on the increasing importance of grid-edge intelligence trends in the utility industry.

Richard Mora
Chief Executive Officer

Based on the Group's bookings, backlog and a favorable regulatory environment in several key markets, Landis+Gyr expects to continue its growth strategy generating revenue growth and solid cash flows in the years ahead.

Jonathan Elmer
Chief Financial Officer

In the financial year 2018 (FY 2018; April 1, 2018 to March 31, 2019), Landis+Gyr enhanced its market leadership by expanding bookings, increasing backlog, growing net revenues, increasing profitability and continuing to generate solid cash flows. The Group benefited from the fundamental and essential role of Smart Metering at the heart of the evolving Smart Grid, winning major new contracts in the US, Europe and Asia, and further building on its Managed Services business. Intense focus on operational improvement initiatives globally further strengthened the Company's profitability and financial position.

Book to Bill and Top Line Growth

Order intake reached USD 2,079.0 million in FY 2018, an increase of 34.0% in constant currency compared to the prior year, a book to bill ratio of 1.18. This progress reflects the confidence customers continue to have in the technological excellence of the Group's leading-edge technology portfolio. Committed backlog was USD 2,603.1 million at the end of FY 2018, an increase of 9.0% year over year. These two indicators provide solid evidence of the confidence utilities' worldwide have in Landis+Gyr and also establishes a foundation for future revenue growth.

Based on continued demand for AMI products and solutions, net revenues for Landis+Gyr Group reached USD 1,765.2 million in FY 2018, up 1.6% compared to FY 2017, or 3.1% on a constant currency basis. The Americas delivered higher net revenues year over year, growing 1.4%, or 2.5%

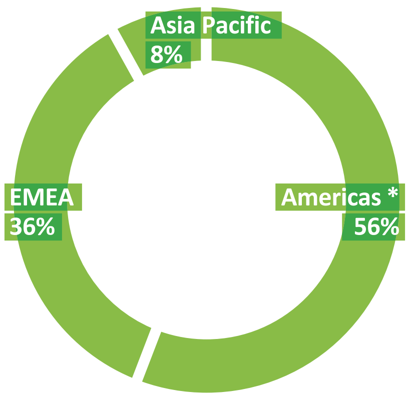
in constant currency, thanks to several full-scale deployments currently underway in the US as well as new contracts wins, to include opportunities in grid edge technologies. Sales in the EMEA region were also up compared to the previous financial year, by 0.8%, or 2.4% in constant currencies. Asia Pacific likewise contributed to higher sales with year-over-year growth of 6.0% or 11.2% in constant currency. Demand in Australia drove the improvement.

Solid Adjusted and Reported EBITDA

Adjusted Gross Profit for the reporting period was USD 609.3 million, a USD 12.0 million increase from the USD 597.3 million delivered in FY 2017. This increase was achieved despite incurring incremental costs associated with supply chain constraints of USD 17.6 million. The supply chain position improved in the second half of the year, but some challenges continue to affect the business. Adjusted Operating Expenses were further reduced by USD 17.7 million year-over-year (USD 11.3 million in constant currency) due to additional positive impacts of Project Phoenix in EMEA and expense control in the other regions. In FY 2018 Adjusted Research and Development (R&D) spending was USD 151.9 million or 8.6% of revenue, temporarily down USD 6.1 million compared to the prior year due largely to the timing of development projects.

In FY 2018, Landis+Gyr had two major cost reduction programs underway in EMEA. Project Phoenix was aimed at reducing the cost base by streamlining back office structures, unifying staff functions and improving productivity. With annualized savings achieved of

Net Revenue by region



* including Japan

Net Revenue
in million USD
1,765.2 **+ 3.1%**
in constant currency

Adjusted EBITDA
in million USD
237.9 **+ 14.3%**

Free Cash Flow
in million USD
123.5 **+ 41.2%**

USD 21.7 million against the targeted USD 20 million, Project Phoenix has been successfully concluded. In the other regions, cost control efforts were also successfully undertaken.

The second EMEA program, Project Lightfoot, is aimed at bundling and partially outsourcing manufacturing activities to enhance production efficiencies, lower supply chain costs and further reduce capital intensity. Lightfoot delivered USD 5 million in incremental savings during FY 2018, in addition to USD 5 million in prior periods. A further USD 15 million savings will be delivered over the next two years, for a total annualized impact of USD 25 million by end of FY 2020.

Overall, FY 2018 Adjusted EBITDA margin increased to 13.5% from 12.0% in the prior year. FY 2018 Adjusted EBITDA rose more significantly than sales, growing 14.3% year-over-year, coming in at USD 237.9 million. A resilient performance in the Americas was the largest contributor to this outcome, but notably EMEA and Asia Pacific — both under new leadership — achieved positive results through a combination of improved gross margins in EMEA as well as cost control in both regions.

In FY 2018 adjustments to bridge from Reported EBITDA to Adjusted EBITDA were in three primary categories. First, with respect to Restructuring Charges the USD 4.8 million related to streamlining measures taken across the organization. Second, the Normalized Warranty Expenses adjustment for FY 2018 of USD (16.1) million represented the amount of provisions made relative to the average annual actual warranty utilization for the last 3 years. Lastly, the Group has introduced a new adjustment in H2 FY 2018, Timing Difference on FX Derivatives. In FY 2018 this adjustment was USD (3.0) million.

The economic uncertainty in the UK, Landis+Gyr's single most important European market, caused by the protracted negotiations around Brexit have led to an increased risk of exchange rate volatility. With sales in GBP and supply chain costs largely in other currencies, Landis+Gyr has partially mitigated FX exposure by extending the hedging program and putting hedges in place in respect of part of the exposure to the GBP for up to 24 months ahead. As unrealized gains or losses on hedges are booked on a mark to market basis each month, a movement in FX rates will cause short term volatility in Reported EBITDA. To address this, a new category of adjustment was introduced – Timing Difference on FX Derivatives.

Landis+Gyr's FY 2018 Reported EBITDA was USD 251.1 million versus USD 141.3 million in FY 2017.

Net Income and EPS

Net income for FY 2018 was USD 122.2 million, or USD 4.15 per share and compares to USD 46.4 million, or USD 1.57 per share for FY 2017. In addition to year-over-year improvements in Operating Income, Net Income benefited from the USD 14.6 million gain on the contribution of assets to the intelliHUB JV. These improvements were partially offset by the year-over-year increase in the tax expense following the release of deferred tax liabilities in FY 2017 resulting from the US tax reform.

Strong Cash Flow and Reduced Net Debt

Free Cash Flow (excluding M&A) was USD 123.5 million in FY 2018, an increase of USD 36.0 million compared to FY 2017. The main drivers for the increase were improved operating performance and lower tax payments which more than offset higher warranty and warranty settlement cash outs. In FY 2018, capital expenditures were USD 40.5 million, slightly above the FY 2017 level of USD 38.0 million. The Company contributed cash of USD 19.1 million for the equity in the intelliHUB joint venture in Australia and invested USD 2.0 million in Sense in the US.

Landis+Gyr is returning cash to shareholders in two ways, via the dividend as well as the CHF 100 million share buyback program currently underway. During FY 2018, Landis+Gyr repurchased 204,590 of its own shares at an aggregate value of USD 12.7 million, both inside and outside the buyback program. Despite these uses of cash, net debt fell to USD 17.2 million at the end of FY 2018, a reduction of USD 23.3 million compared to the prior year end. The ratio of net debt to Adjusted EBITDA was 0.1x at the end of March 2019.

Technology Leadership

In FY 2018 Landis+Gyr continued to shape the industry with the introduction of groundbreaking innovations and advancements in intelligence and connectivity for Smart Metering applications. Among the highlights was the release of a new Street Light Controller, a grid-edge intelligent device that functions as a part of Landis+Gyr's Gridstream® Connect IoT platform and supports advanced monitoring and management of lighting to improve energy and operational efficiency. This open IoT platform is designed to become the backbone for a variety of Smart Grid and Smart Infrastructure applications.

In parallel, Landis+Gyr enhanced its software solutions. The latest version of the Group's Advanced Grid Analytics software provides easier integration and deployment along with enhanced revenue protection analytics to detect energy theft and malfunctioning meters. Landis+Gyr's Meter Data Management System (MDMS) software widened its functionality, including added support for complex metering operations to assist utilities with advanced business process automation, while the new Command Center software expands capability for residential advanced meters to help utilities with reliability and planning operations.

Continually Enhancing Operational Excellence

The Supply Chain Management & Operations (SCM & Ops) function further improved supply chain and delivery performance, as a sustainable competitive advantage for Landis+Gyr. Employees embrace an end-to-end quality mindset in all the Group's processes and as a part of the company's day to day work culture. For example, during FY 2018 when high demand for passive components in other sectors constrained the ability to acquire certain critical items, the SCM & Ops team's execution and diligence limited the impact on Landis+Gyr compared to others in the industry.

While this component shortage situation is much improved exiting the financial year, it remains a challenge and will continue into FY 2019.

The foundation of the SCM & Ops delivery strategy is built on the cornerstones of manufacturing site consolidation and factory optimization, end-to-end supply chain planning and execution with deeper involvement of suppliers, to leverage their capabilities in R&D, cost effective product design and procurement optimization, including global sourcing. These efforts are magnified by focused quality programs, including the Group's Zero Defects quality initiative and cross functional practice groups which support all global operations with aligned engagement models.

Benefiting from Continued High Demand

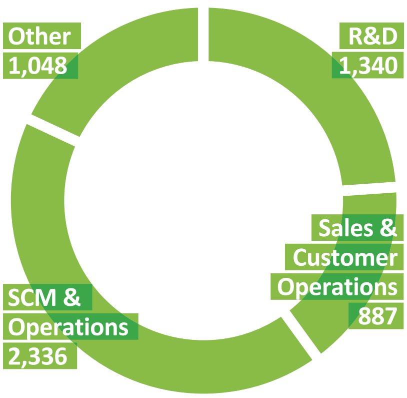
Over the next decade many more utilities around the globe will deploy Smart Metering infrastructure. As the leading provider worldwide serving over 3,500 utilities and energy retailers globally, Landis+Gyr intends to maintain its leadership and proven track-record, during this growth phase.

While continuing to serve the needs of utilities, management has identified three platforms for growth (smart metering, grid edge intelligence and smart infrastructure) and is continuously evaluating strategic acquisitions that will allow the Company to expand the product and solution suite.

In the Americas, Landis+Gyr is well positioned to maintain industry leadership in North America as well as to capture growth in Latin America and participate in the upcoming network refresh in Japan. In the EMEA region, major AMI roll-outs in France, the UK, the Netherlands and elsewhere, signal favorable growth prospects. In Asia Pacific, the Group expects the Australian market and infrastructure projects in India and South East Asia to be key drivers of growth.

Employees by Functions

As per March 31, 2019



Total employees

5,611

Performance Review Americas

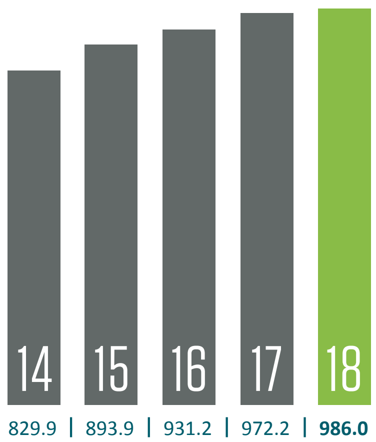
The AMI market in the Americas continues to be strong, resulting in another successful year. A favorable regulatory environment and "2nd-wave" AMI functionality drove demand in the region, particularly in North America.

Prasanna Venkatesan
Executive Vice-President
Americas

Net Revenue to External Customers

in million USD

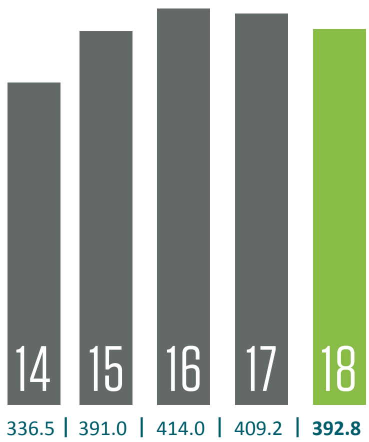
986.0



Adjusted Gross Profit

in million USD

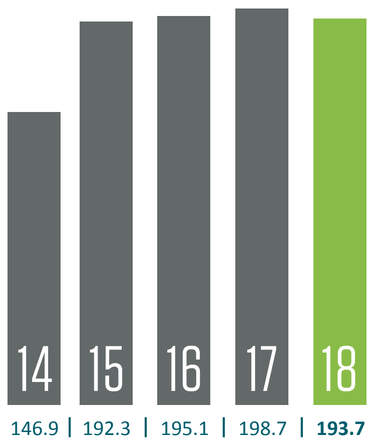
392.8



Adjusted EBITDA

in million USD

193.7



Performance Review Americas

In FY 2018, the Americas region continued to deliver Landis+Gyr's leading-edge AMI technology, developing higher level functionality and increasing industry thought leadership. Through the year, the team focused on maintaining and capitalizing on dynamic market momentum for the next generation of metrology, networking and utility software applications as well as the most comprehensive service offerings in the industry.

The region continued to deliver to the global flagship Internet of Things (IoT) deployment in Tokyo, which will enable 30 million connected intelligent devices for TEPCO once completed. With more than 21 million endpoints already installed and an average of 500,000 new devices added each month, Landis+Gyr is leveraging its unique market experience from the TEPCO project and its strong AMI performance as a beach-head for additional IoT applications in Japan's freshly deregulated retail energy market.

Strong Order Intake and Record Sales

In the Americas region, the strong business environment was highlighted by three significant contract wins during recent months, each with expected sales levels of between USD 100 million and USD 300 million over the terms of the contracts.

In FY 2018, Landis+Gyr North America again won important new contracts from public power utilities, in addition to managing and executing ongoing projects. Among the key wins were mandates from Florida-based JEA and Kissimmee Utility Authority, High Plains Power, Sulphur Springs Valley Electric Cooperative, Jones-Onslow EMC, Kerrville Public Utility Board, and the Costa Rican utility ESPH. Among large investor owned utilities (IOU) in North America, Landis+Gyr continues to compete for additional contracts as AMI tenders are awarded, many of which involve millions of end-points. New awards and extensions of contracts were seen during FY 2018 at Evergy companies KCPL and Westar, Ameren Missouri, PSEG Long Island and We Energies.

Winning a fair share of the upcoming IOU and public power tenders for services and solutions complementing AMI technology is a key strategic focus. FY 2018 included a contract award from Hawaiian Electric Company for advanced solutions that accommodate the distributed energy resources (DER) requirements this progressive utility requires. The team also continues to build on existing relationships with utilities to offer complementary solutions to existing offerings, such as street lighting, distribution automation and load management. Additionally, the North American business grew its footprint in Managed Services, thanks to expansion efforts by key customers.

Landis+Gyr also entered into new partnerships, which will work seamlessly with Landis+Gyr's Gridstream® Connect utility IoT platform, to further strengthen our market leading position. This includes a new agreement with DC Systems to re-sell and co-develop a real-time monitoring, aggregation and control software for distribution assets and distributed energy resources. A second investment and partnership involves a direct investment and collaboration with Sense to add next generation energy management solutions.

While Latin America has faced political and economic challenges, it remains true that AMI delivers bottom-line value through revenue assurance and reduction of non-technical losses in these markets. As such, Landis+Gyr has maintained its strategy to deliver to these markets, as they recover and mature. In Brazil and Mexico, Landis+Gyr focused resources on influencing customers and regulators towards AMI as these markets will be the cornerstone for Latin American.

Financials

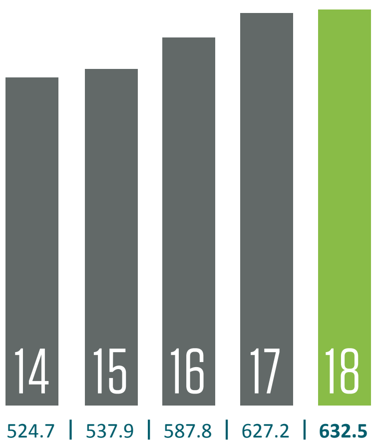
Overall, this outstanding performance resulted in record-high order intake of more than USD 1.0 billion in the reporting period. Committed backlog in the Americas region was USD 1.75 billion as of March 31, 2019 compared to USD 1.68 billion in the prior year. Sales to external customers in the Americas region further increased to a new record-high of USD 986.0 million in FY 2018, up 1.4% compared to FY 2017, corresponding to 2.5% in constant currencies. FY 2018 Adjusted EBITDA slightly decreased to USD 193.7 million compared to USD 198.7 million in the prior year. Adjusted EBITDA margin was 19.6% compared to 20.4% in FY 2017.

Performance Review
Europe, Middle East and Africa

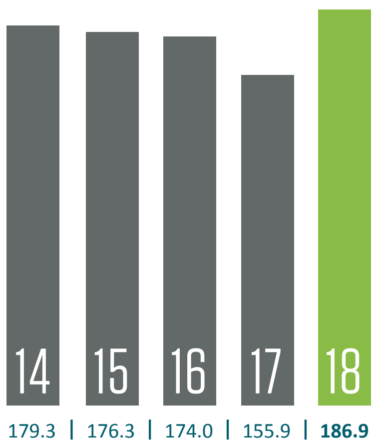
Enhancing its existing reputation as a trusted long-term partner of utilities, Landis+Gyr continued to deliver and win in key markets.

Susanne Seitz
Executive Vice-President
EMEA

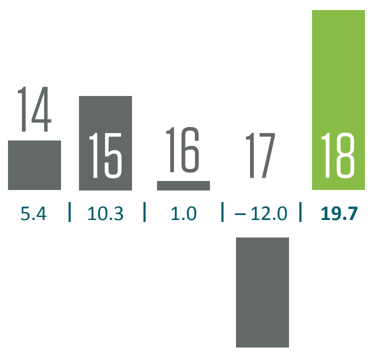
Net Revenue to External Customers
in million USD
632.5



Adjusted Gross Profit
in million USD
186.9



Adjusted EBITDA
in million USD
19.7



With large scale Smart Metering deployments underway in several counties, and more ready to move into full scale deployment in the near term, Landis+Gyr's key priority remains improving the profitability of the EMEA business and establishing the region as a growth engine. As a result, the EMEA management team has further intensified the transformation of its business with a clear commitment to develop a leaner and more agile EMEA organization.

Landis+Gyr sees new opportunities and increasing demand for smart energy solutions all over EMEA and the 53.5% progress on order intake gives concrete evidence of this trend. Sales to external customers in the EMEA region increased to USD 632.5 million in FY 2018, up 0.8% compared to FY 2017, an increase of 2.4% on a constant currency basis. FY 2018 Adjusted EBITDA amounted to USD 19.7 million compared to USD (12.0) million in the prior year, despite incurring USD 6.1 million in incremental costs due to the supply chain constraints. The improvements were mainly driven by product cost reduction programs on next generation meters as well as restructuring benefits. As of March 31, 2019, committed EMEA backlog amounted to USD 754.6 million compared to USD 654.1 million in the prior year, an increase of 15.4%.

Project Phoenix benefits of USD 21.7 million were above the targeted USD 20 million run rate savings. Lightfoot delivered USD 5 million in incremental savings during FY 2018, in addition to USD 5 million in prior periods. A further USD 15 million savings will be delivered over the next two years, for a total annualized impact of USD 25 million by end of FY 2020.

Securing Future Contracts and Building the Managed Services Business

Among the highlights of the reporting period was the UK as the deployment of SMETS2 enabled devices – the 2nd generation Smart Meter – received the necessary approvals in the second half of FY 2018 and the previously delayed roll-out has begun to accelerate deployments. In addition, some UK customers looked to build their inventory of SMETS2 meters ahead of Brexit uncertainty. To meet this demand Landis+Gyr shipped over over 2.7 million smart meters during FY 2018.

In France, the Group concluded a new contract with Enedis for the next tranche of the Linky program. Landis+Gyr will supply approximately 20% of the future volumes in the planned rollout of the next thirteen million Linky meters, by 2023. The company has been a trusted partner on the Linky project since 2007, as Enedis works to upgrade all 35 million residential meters with smart meters.

In Switzerland, an unusually fragmented market with over 700 local distribution utilities, Landis+Gyr continues to roll-out metering points with a focus on Gridstream® AMI solutions, including load management services.

Additionally, the EMEA business strengthened its Managed Services operations in the region. In Finland, Landis+Gyr took over Caruna Oy's AMI operations, in the region's largest Managed Services contract to date. The service includes full operational responsibility for 660,000 Smart Metering points over the next six years and features an optional extension for an additional three years. As of April 2019, Landis+Gyr has assumed responsibility for the meter reading service operations for an additional 750,000 end points in Finland. This demonstrates the Company's strategic focus on further enhancing its Service Market focus and Managed Services business in the region.

Attractive Growth Perspectives

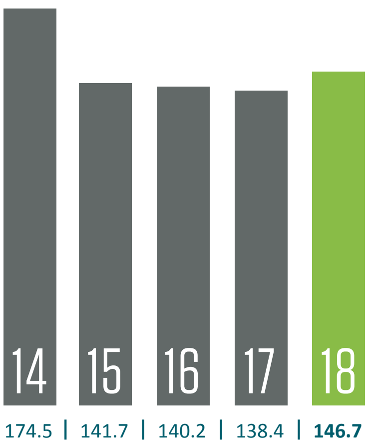
Looking forward, EMEA is among the largest and fastest growing regions in the smart electricity metering sector. These attractive growth prospects include large-scale deployments in France, the UK, the Netherlands, Sweden and elsewhere, as AMI penetration rates increase. EMEA's smart gas metering sector is also forecasted to deliver growth in the medium term.

Performance Review Asia Pacific

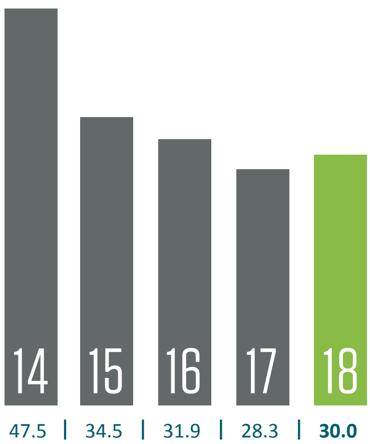
In a competitive environment, the Asia Pacific business improved its market position by deepening customer relationships and launching significant new products in key markets.

Steve Jeston
Head Asia-Pacific

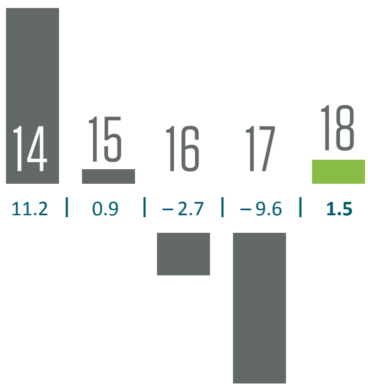
Net Revenue to External Customers
in million USD
146.7



Adjusted Gross Profit
in million USD
30.0



Adjusted EBITDA
in million USD
1.5



Performance Review
Asia Pacific

In FY 2018, the highlight for the region was winning the CLP Power advanced metering contract. Following on the successful pilot project, the contract calls for continuing to deploy a Gridstream® solution to their Hong Kong service territory. The agreement includes the supply of smart meters, communications modules and associated software applications.

Coupled with a strong foundation in key markets such as Australia, India, Hong Kong and Southeast Asia, together with its leading-edge solutions offering, Landis+Gyr is well positioned to benefit from the infrastructure modernization needs of this dynamic region.

Net revenues to customers in the Asia Pacific region reached USD 146.7 million in FY 2018, up 6.0% compared to FY 2017, or 11.2% on a constant currency basis. Higher sales volumes across the region, but particularly in Australia, India and China, were partly offset by declines in demand in other markets. With higher sales and continued stringent cost control measures implemented during the reporting period, FY 2018 Adjusted EBITDA was USD 1.5 million compared to a loss of USD (9.6) million in the prior year, despite the USD 1.3 million increase in incremental costs due to the supply chain constraints. Committed backlog in Asia Pacific was USD 93.6 million as of March 31, 2019 compared to USD 55.9 million at the end of the prior year, an increase of 67.4%.

Expanding Smart Metering and Related Services in Australia

The agreement between Landis+Gyr and Pacific Equity Partners to form a joint venture under the name IntelliHUB Holdings Pty. Ltd. for the acquisition of Acumen from Australia's largest energy retailer, Origin Energy Limited, was a major milestone for the year.

The transaction was successfully closed in mid-June 2018 with Landis+Gyr contributing its intelliHUB business and AUD 25 million in cash into the joint venture for c. 20% ownership stake.

The Acumen business includes the management and servicing of 170,000 meters which have already been deployed and a material, long-term contract with Origin Energy for the rollout of additional Smart Meters across Australia.

The intelliHUB business leverages Landis+Gyr's global experience in smart metering technology as well as systems and management of large-scale metering deployments. With intelliHUB's recent expansion, the business is poised to grow as smart meters are deployed in Australia under new regulatory requirements.

At the Forefront of Technological Innovations

After a successful world-first launch in Australia, Landis+Gyr demonstrated its smart metering and smart grid applications capabilities with LTE Cat-M1 in New Zealand late last year operating on Spark's, New Zealand's leading digital service company 4G mobile network. This technology broadened Landis+Gyr's communications options for connecting customers while enabling greater breadth and depth of coverage, a critical aspect for customers as they roll out the next generation of advanced metering infrastructure.

Vietnam Electricity and its subsidiary, Southern Power Corporation, received the Best Digital Transformation award for the roll-out of Landis+Gyr's Meter Data Management System at Asian Utility Week in Bangkok, Thailand in July 2018. Landis+Gyr has provided five localized Meter Data Management solutions to each of Vietnam's power companies. The project was recognized for transforming energy data management for the entire nation of Vietnam.

Securing Leading AMI Position and Expanding into New Markets

Landis+Gyr aims to secure its position as a leading technology provider in the utility sector in the region. To realize this, Landis+Gyr is leveraging its global AMI technology and portfolio, including Gridstream® Connect, and adapting them to local regulatory and customer requirements as well as in New Zealand.

In addition, Landis+Gyr is responding to the early signs of a shift to smart metering in the gas sector and has recently established its software as a service (SaaS) model. SaaS offers the highest standards of security and has the flexibility to tailor services to support each customer's needs.

Innovation

Landis+Gyr continues to build a best in class engineering team, with the skills and leading-edge capabilities required to innovate and shape the industry challenges of today and tomorrow.

The Company has systematically established a talented, committed and diverse pool of technology experts, who provide visionary and highly commercialized thought-leadership, to drive its product offerings into the next generation of solutions for the market.

High Investment in Leading-Edge Innovation

In the financial year 2018 adjusted Research and Development (R&D) spending was USD 151.9 million equivalent to 8.6% of the Company's annual sales (FY 2017: USD 157.9; 9.1%). 81% of R&D expenditure was dedicated to the development of embedded or application-specific software, reflecting Landis+Gyr's evolution from a pure hardware company to an integrated end-to-end utilities solutions business. Consequently, the share of R&D investments directed at software projects remained high. For the year ended March 31, 2019, Landis+Gyr committed USD 116.0 million to the development of new product introductions, reflecting 76% of total R&D investment, with the remaining USD 35.9 million or 24% focused on refreshing existing core offerings. Breaking down total R&D expenses by product category, USD 28.5 million or 19% was dedicated to hardware products, USD 64.0 million or 42% to software products and USD 59.4 million or 39% to embedded software.

The R&D investment comprised 13% of research and platform development, with product development and customizations representing 73% and 14%, respectively.

Comprehensive and Globally Coordinated Innovation and Product Development

Landis+Gyr's Global Research & Development (GRD) organization includes four major global development centers, and an additional 18 local engineering sites that are dedicated to regional customizations assisting local customers. The Group's GRD strategy builds on:

- **Investment in Leading-Edge Innovation**
  Focusing on leading-edge technology evolution that enables new capabilities for customers. In parallel, the strategy enhances the Group's industry leading portfolio with relevant differentiation in features, and optimized total-cost-of ownership for customers.
- **Comprehensive and Globally Coordinated Innovation and Product Development**
  Targeting commonality and reusable assets to achieve faster time to market allows greater R&D efficiency and improved quality. Modular platform architecture using best in class processes and tools reduces time to market while enhancing the competitiveness of the portfolio.

The key ingredients of Landis+Gyr's market leading technology include:

– *Intelligent endpoints:* To meet the needs of a sophisticated grid, sensor networks require communications and computing power at the edge. Using layered intelligence allows utilities to optimize resources and maximize functionality.
– *Flexible communications:* Landis+Gyr's R&D efforts reflect the growing importance of connectivity among intelligent devices. As such, the organization is focused on the connectivity and security of its products and solutions.
– *Applications enablement:* Modern technology development means extending interactions with developers and related parties to enhance the functionality of the offering. Landis+Gyr is determined to enable applications that can improve customer outcomes.
– *Driving standards:* To the customer, delivering products and solutions that meet open standards drive efficiency. Internally, enhancing predictability through standardization of processes is critical and relies on more automation in testing.
– *Software is the bulk of what we do and who we are:* Landis+Gyr spends over 70% of its R&D investments in software and embedded software. This makes software a key part of the fabric of the Group.

Patents

Active

708

Pending

149

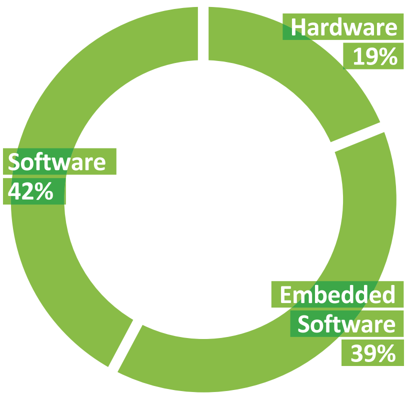
Grants

59

Landis+Gyr's recent innovations have focused on increased Grid Edge analytics and computing, specifically through intelligent endpoints, flexible communications and software edge application enablement, and our granted patents and new patent filings reflect that. The vast majority of our 149 pending patent applications fall under these three key areas, ensuring an ongoing pipeline of protectable innovations that will further strengthen our technology leadership into the future.

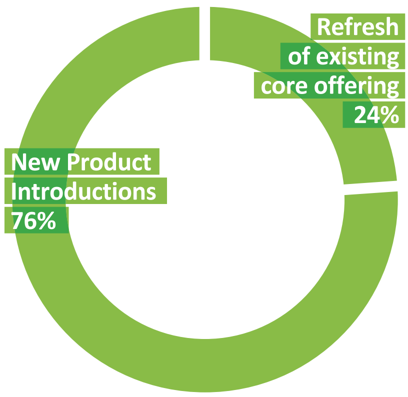
Breakdown of Adjusted R&D Investments

By products



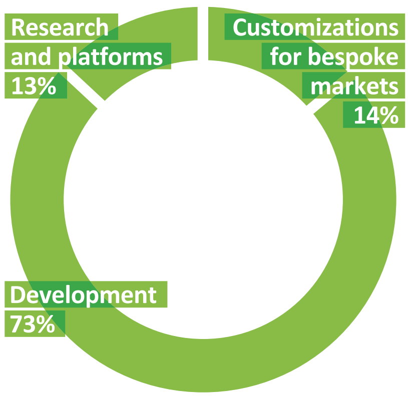
in million USD
152

By category



in million USD
152

Research-Development-Customization



in million USD
152

Smart Metering

Smart Metering stands at the beginning of any undertaking to make the grid smart.

In an increasingly complex framework of intersecting regulatory, business and consumer demand, Smart Metering technology enables utilities to control and efficiently manage production, transmission, distribution and consumption of energy resources. This shift facilitates a transition from standalone meters to intelligent devices with two-way communications capabilities. Landis+Gyr's Advanced Metering Infrastructure (AMI) solutions lay the foundations enabling utilities to adapt their business model to changing end-user needs. Landis+Gyr also offers utilities a broad range of customized services, including Managed Services contracts, that allow utilities to completely outsource AMI operations. In addition, comprehensive training, installation and software design support service are available.

Better Visibility, Less Energy Consumption

Salt River Project (SRP) is the third-largest public power utility in the US, providing electric service to over one million customers in central Arizona. As SRP sought to introduce more time of use and residential demand rates, a solution was needed to help consumers better manage their energy consumption.

Landis+Gyr Solution

SRP selected Landis+Gyr for a territory-wide RF mesh AMI system, which included the deployment of over one million advanced electric meters. SRP utilizes the Gridstream® Connect platform and meter-based applications to enable residential customers to manage their individual peak demand. With Landis+Gyr's Demand Manager grid edge application, consumers can autonomously manage power consumption.

Benefits for Utility and Consumers

- SRP leverages Landis+Gyr's prepayment solution to provide more flexibility to its customers.
- SRP's customers currently on solar demand rates have reduced energy consumption and lowered their energy bills, while increasing understanding of new rate structures.
- SRP enables customers to compare the cost for current and previous months, helping them to use less energy and save money.

Phoenix, Arizona / Image © 2019 Google Street View

Seattle, Washington / Image © 2019 Google Street View

Successful Transition from AMR to AMI

Puget Sound Energy (PSE) is the largest utility company in the US state of Washington and serves 1.150 million electric customers and 840,000 gas customers. When looking to transition from its existing AMR system to a two-way AMI system, PSE needed the ability to do so without interrupting existing billing operations.

Landis+Gyr Solution

Landis+Gyr is overlaying PSE's current AMR network with a standard-based network design, which includes installation and retirement of the AMR network. Additionally, the project includes a refresh of all electric meters and gas modules, and the use of Command Center Head End System and Advanced Security functionality in Landis+Gyr's hosted environment.

Benefits for Utility and Consumers

- With Landis+Gyr's experience and expertise, PSE is transitioning from a one-way AMR to a two-way RF Mesh AMI system without interrupting current operations.
- PSE benefits from Landis+Gyr's AMI capabilities and experience, enabling the utility to focus on its core lines of business and better serve its customers.
- Gridstream® Connect provides a single-network and single head-end system AMI solution for PSE's electric and gas customers.

Grid Edge Intelligence

The explosion of data requires intelligence at the edge of the distribution grid.

Grid efficiency and intelligence advances. With millions of data sets delivering valuable information about infrastructure performance, power quality and consumption patterns, Landis+Gyr's utility customers are reaping additional benefits. Knowing more about what is happening at the edge of the network facilitates the implementation of analytics and other software applications to improve forecasting, demand response and renewable integration it also supports a variety of their business cases that aim to improve the quality of life for billions of people worldwide. Gridstream® Connect, a platform for utility IoT, supports the growing connectivity needs that integration with other devices, information communication technology and application development require.

United Kingdom

Seamless Switching Between Energy Resources and Suppliers

UK Government and its energy regulator, Ofgem, are speeding up the roll-out of the country's 2nd generation of Smart Meters (SMETS2).

SMETS2 meters communicate over the network, are fully interchangeable to allow energy suppliers and consumers to connect a wide range of smart energy accessories, and offer grid edge intelligence.

Landis+Gyr Solution

In the UK, Landis+Gyr currently has 20 million Smart Meters under contract and has delivered the bulk of SMETS2 meters installed to date. In Q4 of FY 2018 alone, Landis+Gyr's shipments to its UK customers totalled 850,000 meters.

Benefits for Utility and Consumers

- SMETS2 meters secure the highest standard of security for consumer data.
- The new Smart Meter generation in the UK is able to record data for a range of different events, including consumption, cost and power quality data, as well as theft detection and security issues.
- SMETS2 smart meters possess grid edge intelligence capability, which is key to their integration as a Smart Infrastructure device. This allows future support of applications that enable the seamless management of distributed, renewable energy resources, energy storage facilities, EVs and smart buildings.

Portsmouth, UK / Image © 2019 Google, TerraMetrics, Kartendaten

St. Louis, Missouri / Image © 2019 Google Street View

Extensive Cooperation

Ameren Corporation serves 2.5 million electric and 930,000 gas customers through its Ameren Missouri, US, and Ameren Illinois, US, regulated utility subsidiaries. Ameren needed a technology partner with the expertise to migrate to the latest evolution of AMI technologies and best operate its system.

Landis+Gyr Solution

In addition to AMI components and software, Landis+Gyr provides the Meter Data Management System (MDMS), project management services, network installation services, electric meter installation services, and gas module installation services. To leverage the interoperability and connectivity of advancing communication technologies, Ameren Illinois selected Landis+Gyr to guide its migration to the two-way AMI IPv6 connectivity of Landis+Gyr's Gridstream® Connect platform.

Benefits for Utility and Consumers

- Gridstream® Connect provides a single-network, and single head-end system for Ameren's electric and gas customers.
- The flexibility of Landis+Gyr's MDMS enabled Ameren to integrate with existing billing and customer information systems without the need for costly customization.
- Ameren and Landis+Gyr have strengthened their partnership across multiple generations of advanced metering technologies.

Smart Infrastructure

Managing public and private infrastructure more intelligently.

It is Landis+Gyr's ambition to build on its position as an industry leader in AMI and to create an ecosystem of Connected Intelligent Devices as the IoT foundation for value-added process automation and Smart Grid business applications, including a wide range of home energy management services to consumers. Landis+Gyr's Gridstream® Connect platform integrates new communication technologies as needed – which means utilities achieve connectivity to every mile of their network. The system offers a comprehensive and accurate view of the energy network featuring real-time data. It provides utilities with greater options to deploy layered intelligence with connected computing power at the grid edge, at the community level and across the entire distribution system. Furthermore, it enables integration of complementary services and smart infrastructure management.

The Fastest AMI Deployment in History

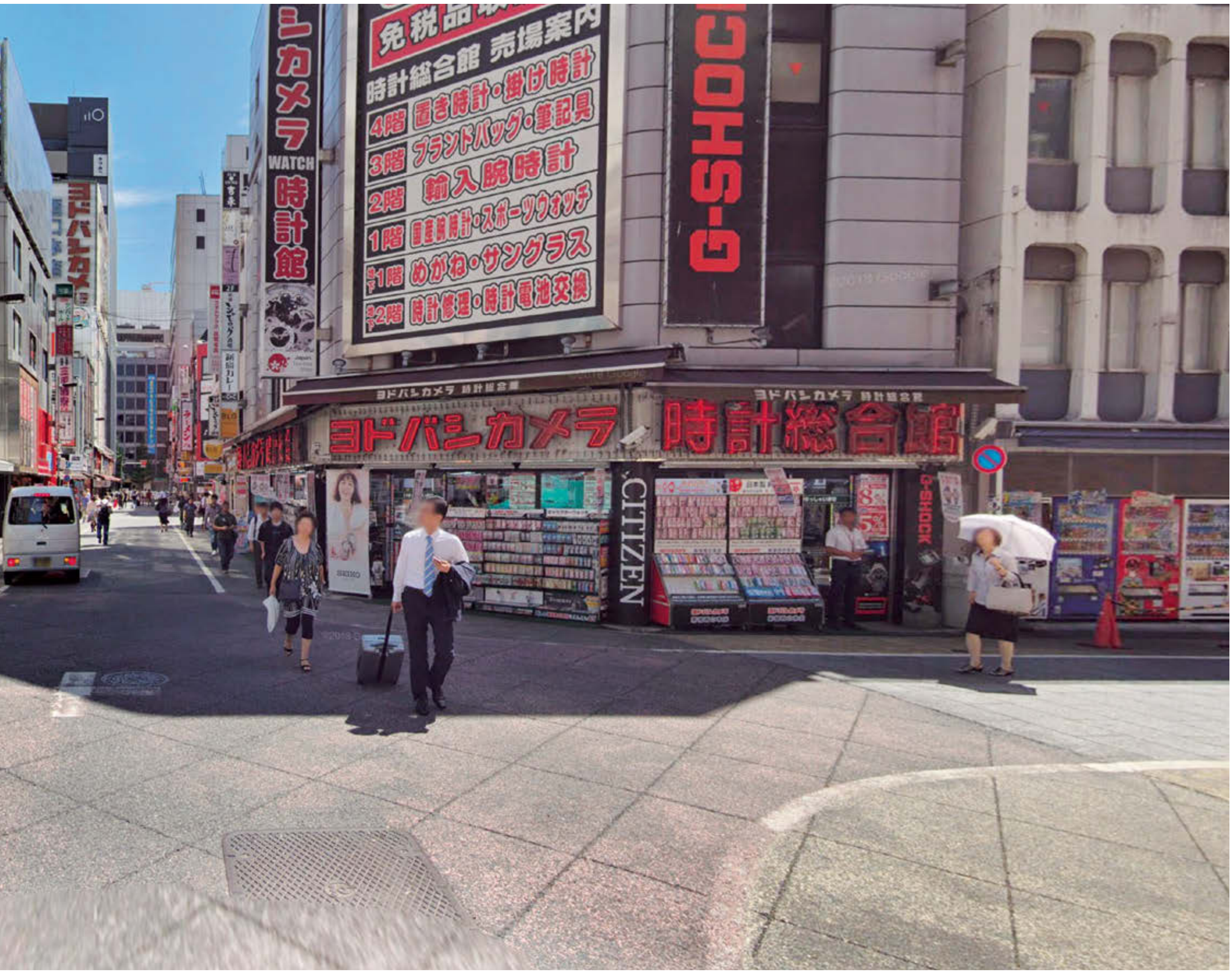
Tokyo Electric Power Company (TEPCO) is the largest electric utility in Japan and provides electric service to 45 million people. As a result of new policies and in preparation for hosting the 2022 Summer Olympics, TEPCO initiated its grid modernization project and selected Landis+Gyr as a partner in 2012.

Landis+Gyr Solution

At completion, Landis+Gyr will have deployed its standards-based Gridstream® Connect platform to connect 30 million meters from nine advanced meter vendors. To manage the data from these devices, TEPCO has also used Landis+Gyr's Meter Data Management system, which will process over 1.3 billion reads per day on completion.

Benefits for Utility and Consumers

- The project supports multiple communications on one network including RF Mesh, Cellular and Power Line Communications, ensuring reliable connectivity across TEPCO's diverse ecosystem.
- Beyond in-home devices, TEPCO leverages connectivity for improved safety through the communication with high voltage power line tower lights.
- The project is one of the fastest AMI deployments in history with 500,000 advanced meters installed each month and read success rates exceeding 99.95%.



Tokyo, Japan / Image © 2019 Google Street View

HongKong, China / Image © 2019 Google Street View

CLP 中電

Delivering its Smart City Vision for Hong Kong

CLP Power Hong Kong Limited operates a vertically integrated power supply business in Hong Kong, providing a highly reliable supply of electricity and customer services for 2.6 million customers. covering electricity generation, transmission and distribution, and marketing and customer services.

Landis+Gyr Solution

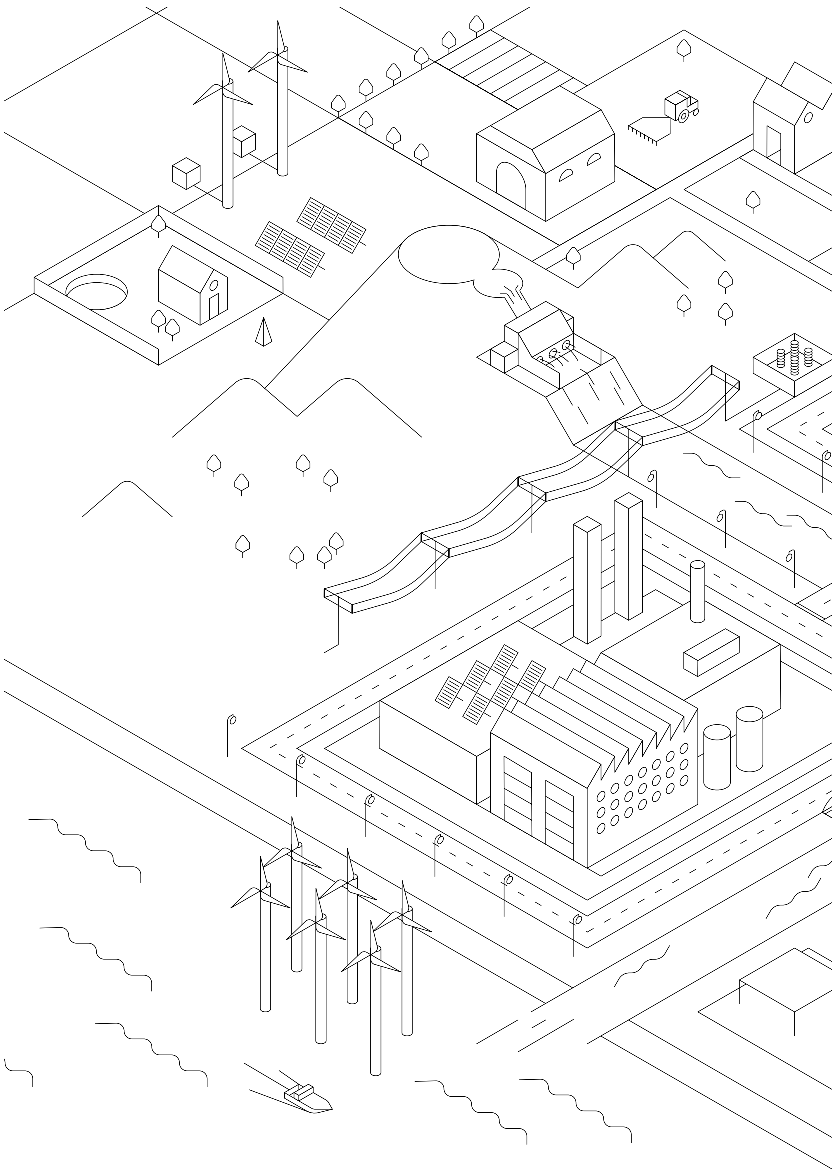
Landis+Gyr's AMI technology designed for scale represents a key milestone in the utility service offering evolution. Over time, this project will provide both the platform and the customer engagement tools that are key enabling technologies for the development of Hong Kong into a smarter city.

Benefits for Utility and Consumers

- The Landis+Gyr AMI platform enables timely access to electricity consumption information via smart meters.
- It also creates an opportunity for the utility's customers to save energy. This, in turn, enables customers to adopt smarter and greener lifestyles through the informed energy choices they are now able to make.
- In addition, the platform facilitates monitoring of power supply conditions and further enhances supply reliability, safety and operational efficiency.

Comprehensive Portfolio

Smart Metering and Advanced Metering Infrastructure stand at center stage of Smart Grids. That's why we are enhancing the functionality of our products, solutions and services with edge intelligence enabling energy utilities, energy retailers and their customers – consumers of energy – around the world to manage energy better.



Stand-alone Meters
Digital meters for electricity, heat/cold and gas

Smart Meters
Electricity, gas and heat/cold meters with two-way communication

Advanced Load Management
Managing load capacity effectively

Street Light Management
Remotely monitoring and control of lighting

Distribution Automation
Monitoring and management of the distribution grid

Distributed Energy Management
Manage Distributed Energy Resources intelligently

Head End Systems
Translate meter data into relevant business information

Meter Data Management
Process and prepare data for a variety of utility programs and operations

Advanced Grid Analytics
Gain transparency on grid traffic, loads and peaks

Communication Devices and Networks
Paving the way to utility's Internet of Things

Services and Training
Tailormade and flexible – proven by dozens of utility customers

Most Comprehensive Portfolio in the Industry

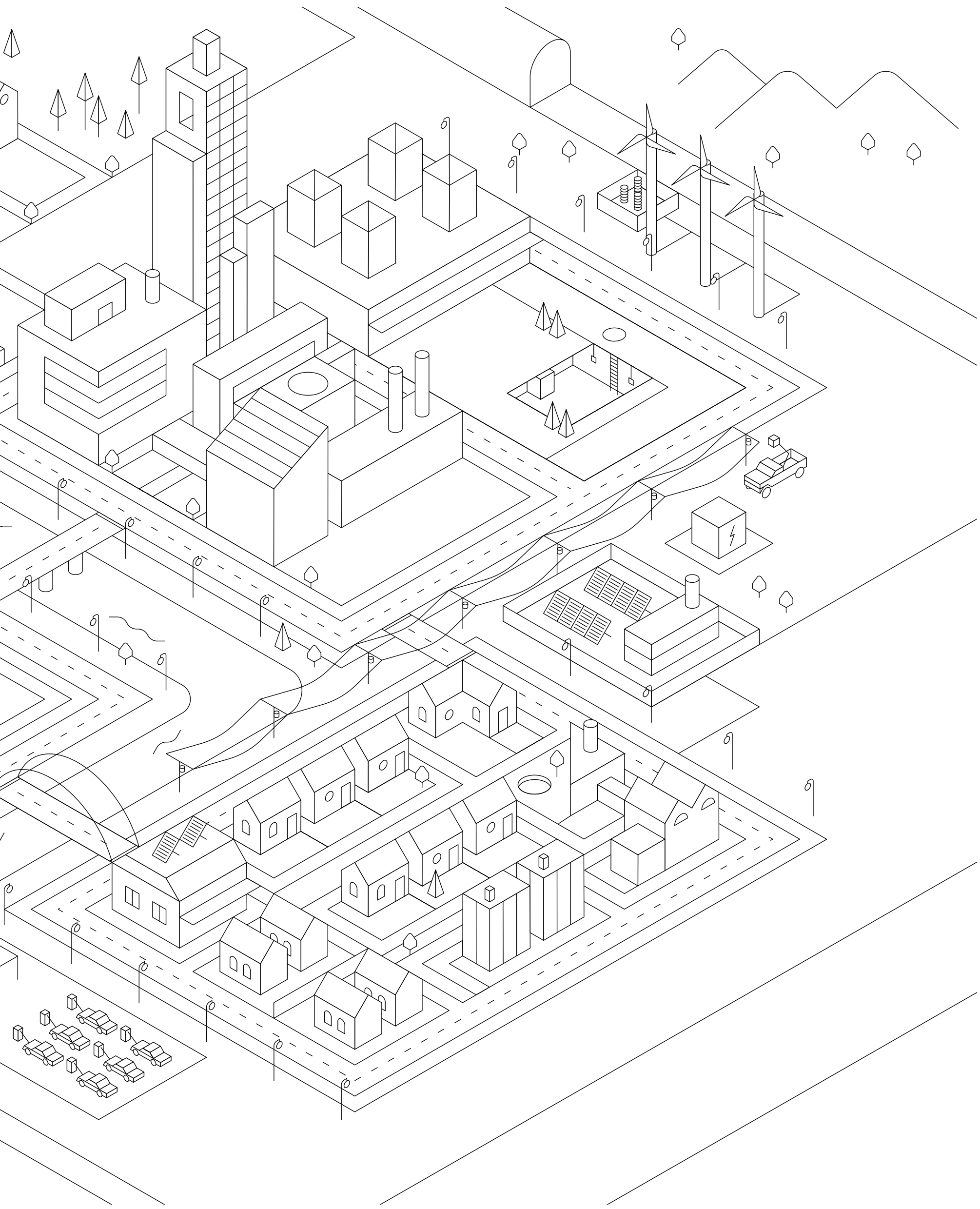
Smart Metering Infrastructure
Smart Meters build the basis of AMI networks as they deliver real-time data and advanced metrics. Landis+Gyr's range of intelligent products enables utilities to build modular communication platforms to create an ecosystem of connected intelligent devices. Landis+Gyr offers communication technology, devices and networks enabling secure and reliable data flow from the meter point to the head-end system and back. Furthermore, the offering includes also software and analytics tools to transform data into the information required to effectively manage the distribution assets and improve customer service and operational efficiency.

Grid Edge Intelligence
Landis+Gyr helps utilities to build a more modern grid. Designed for seamless integration into existing networks. Landis+Gyr's solutions and applications are leveraging Smart Metering assets to master significantly increasing grid edge complexity, building a modern, robust and reliable Smart Grid and utility's Internet of Things as the open and interoperable backbone for smart infrastructure operations.

Smart Infrastructure
Landis+Gyr's smart infrastructure solutions are designed to create benefit for energy companies from proliferation of intelligence beyond simply energy to other urban infrastructure segments, addressing emerging opportunities with new services offerings that maximize infrastructure performance. With a unique suite of open, scalable and robust solutions built on a unique utility IoT platform enables many related functionalities. These include real-time data access and the integration of complementary services, such as street light management and others, which lay the foundation for smart infrastructure management.

Tailored to utilities needs
Landis+Gyr's offering is tailored to each utility's needs independent of the size or business model of its customers. Beyond the traditional product business, Landis+Gyr is a partner for complex projects, including delivery, deployment and integration of our solution in utility's existing infrastructure.

Landis+Gyr's service offering is one of the most comprehensive in the market; it provides utilities any preferred level of support along the asset ownership continuum. Services include management of metering assets but also software as a service and other innovative proposals that help utilities and their customers to manage energy better.



More to be found at www.landisgyr.com

Our People

Ruben Salazar
Global Head Strategic Standards Management, constantly looking for standards-based technologies enabling ground-breaking innovations

As interoperability gains importance, standards-based innovations are becoming a competitive advantage for us and our customers.

Joe Thorne
Account Director Sales, striving to fulfill customers' evolving needs

We combine AMI data with grid edge software solutions providing utilities with actionable insights and allowing them to optimize their grid asset management while offering new options to consumers.

Deborah Thomsen
Vice President Engineering Operations, managing the seamless, secure and reliable functionality of our solutions

Constantly improving self-healing technologies by adding greater intelligence capabilities to the network, we provide utilities with effective solutions to reduce outages and infrastructure disruptions.

Keith Torpy
Global Vice President Innovation, responding to new customer needs with game-changing concepts

Grid edge intelligence will fundamentally change the energy industry. It is our ambition to support our customers in shaping this transformation.

Ahmed Moustehy
Vice President Commercial Operations, ensuring the requirements of resilient metering and communications technologies are delivered to the utility marketplace

We are committed to providing solutions that ensure that our customers always have leading edge, innovative technology to enable a robust, resilient grid.

Amith Kota
Chief Information Officer Americas, guaranteeing the secure, timely and accurate delivery of business data to the region's customers

The seamless exchange of know-how and real-time market information enables our teams to produce market-driving innovations.

Rostislavas Marcenko
Product Manager Industrial & Commercial Metering, serving the current and future needs of utility customers

Our goal is to meet the needs of our customers by enhancing the stability and reliability of their metering infrastructure while providing effective solutions against energy theft.

Alfiya Shamisheva
Strategic Analyst, constantly identifying trends and business drivers

We carefully observe the energy markets to find new developments and trends that impact the needs and requirements of our customers.

Deepa Vijayan
Chief Compliance and Data Privacy Officer, sharpening awareness internally and among business partners enabling full compliance with data protection and privacy best practice standards

Advanced metering is directly tied to data collection and analysis, and we at Landis+Gyr place great emphasis on compliance with global data protection and privacy standards.

Sonja Helfenstein
Head of Global Rewards, ensuring that team and individual performances are represented in the compensation system

We continue to proactively assess and review our incentive plans to ensure that they are fulfilling their purpose and responding to the evolving business environment.

Markus Uster
Head of Metering Platforms, defining smart platform concepts with integrated grid edge intelligence

We are committed to operational excellence, driving business efficiency through platform-based modular product development is a key capability to our asset-light supply chain and delivery systems.

Chad Wolter
Lead Firmware Engineer, providing intelligence to today's and next generation's grid infrastructure

Our new firmware platform is the foundation for our new C&I meters and enables increased manufacturing flexibility and shorter time to market.

Corporate Social Responsibility

Landis+Gyr is committed to sustainability and is focused on positive environmental, social and governance outcomes. The business remains deeply committed to developing smart solutions that enable utilities and end-users to overcome today's and tomorrow's energy challenges.

Landis+Gyr continues to undertake major efforts to meet the challenges that have emerged as a result of climate change, technological innovations, and demographic and social evolution. The ambition is to increase awareness and promote active involvement and progress in all the Company's activities, throughout the energy distribution and management value chain. The Company's employees are committed to helping to preserve the world's limited resources and promoting the sustainable use of energy, in the process contributing to the general welfare of society.

Landis+Gyr is currently expanding its Corporate Social Responsibility (CSR) strategy as a publicly traded company. This landmark initiative aims to further expand and systematize the scope and focus of the Company's sustainability management efforts, taking into consideration the environmental, social and governance and economic impacts of its activities. Furthermore, the program will proactively enhance Landis+Gyr's reputation, mitigate operational risks and address new regulatory requirements and business opportunities, creating value for all stakeholders.

As a first step, the Executive Management has committed to identifying and prioritizing key sustainability topics from an internal and external point of view. Based on this approach, a newly established cross-functional and cross-regional Sustainability Committee has identified Landis+Gyr's current and future CSR priorities, deliverables, KPIs, budgets and responsibilities, which were reviewed and approved by the Group Executive Management and Board of Directors.

Continuous Improvements

Landis+Gyr strives to strengthen its group-wide sustainability management systems on an ongoing basis and has established standards to ensure socially balanced, healthy and safe working conditions throughout its operations and supply chain. These principles set the framework for an environmentally responsible and ethical business atmosphere in which employees are treated with respect and dignity, and have been a catalyst for the impressive performance Landis+Gyr has achieved in the past.

In recent years, the Company has steadily expanded monitoring of its environmental impact. In parallel, the management team has begun to implement measures and targets to increase awareness of sustainability and promote employee engagement in corporate initiatives.

These efforts have been introduced with direct input from employees, improving their work environment, minimizing risks and enhancing education, training, health and safety. Simultaneously, Landis+Gyr and its employees are increasingly engaged in a wide range of activities aimed at strengthening relationships with local communities, customers, business partners, employees and other important stakeholders.

The successful delivery of a number of existing training and performance programs has continued to shrink the Group's environmental footprint, further reducing greenhouse gas emissions, waste and the use of water and hazardous chemical substances.

Further Improved Environmental Footprint

Landis+Gyr commits with its mission to helping customers, consumers and society to "Manage energy better". In the period April 1, 2018 – March 31, 2019, Landis+Gyr continued to initiate measures aiming to further improve the Group's environmental profile including its carbon footprint.

However, water consumption within Landis+Gyr increased by 9.9%. While management promoted several initiatives aimed at limiting water consumption and increasing the use of alternative water resources by expanding rainwater collection capacity, weather conditions and build up of additional headcounts drove higher water consumption. Total waste produced in 2018 increased by 6.4%, mainly due to higher production volumes in India and Corinth. In addition, headcount growth in our Group Development

Center in India and EMEA's Shared Service Center in Prague drove this growth. Total use of chemicals decreased by 10.9% in 2018, as a result of improved product mix, ecofriendly product designs and meter manufacturing operations in the EMEA region. Improvements were also achieved for total CO_2 emissions, which further fell by 2.7% in 2018. Reductions were the result of lower electricity consumption, greater adoption of renewable energy and new travel protocols. Landis+Gyr has lowered its CO_2 emissions on a per-turnover basis by 53% from 2.8 to 1.3 kg per USD 100 since the Company began measuring its carbon footprint in 2007.

Landis+Gyr plans to publish a detailed update of the Group's CSR achievements and initiatives for the period April 1, 2018 – March 31, 2019 with the release of the half-year results 2019 on October 25, 2019.

Respect and Diversity

Landis+Gyr believes that its employees are its most important resource and that a safe working environment and an inclusive, inspiring corporate culture that encourages employees to develop their unique skills are of unparalleled value. The way employees treat each other, and their work environment affects the way they do their jobs. All employees want and deserve a workplace where they are respected and appreciated. Landis+Gyr values and respects employee diversity in terms of backgrounds, skills and professional expertise. In addition to complying with applicable wage, labor and employment laws, it is the Company's policy to ensure equal employment opportunities while preventing any form of discrimination or harassment. The diversity derived from different cultures, religions, nationalities, genders, and age groups is a valuable source of talent, creativity, and innovation.

Corporate Social Responsibility – Key Data

KEY ENVIRONMENTAL DATA	2018	2017	2016	2015	2014
Net revenue in USD million	1,765	1,738	1,659	1,574	1,529
Employees	5,611	5,915	5,919	6,001	5,660
m^3 water	115,326	104,962	116,520	116,340	107,265
t waste	4,345	4,083	3,874	3,949	2,771
t chemicals	10.6	11.9	12.2	13.6	17.4
t CO_{2e}	27,334	28,088	31,594	32,296	34,006
Kg Co_{2e}/USD 100 turnover	1.3	1.3	1.5	1.7	1.8
t Co_{2e} per employee	4.0	3.8	4.2	4.3	4.8

Landis+Gyr Group's fiscal year runs from April 1 to March 31.

HUMAN CAPITAL DATA		
Age Range (in years)	Global Total per March 31, 2019	
Under 20	42	1%
20–29	984	18%
30–39	1,666	30%
40–49	1,487	27%
50–59	1,132	20%
60+	300	5%
GENDER DISTRIBUTION		
Female	1,794	32%
Male	3,817	68%
HOURS OF LEARNING		
Compulsory Learning Hours	13,726	
Development Learning Hours	8,388	
Total Learning Hours	22,114	

The Advantages of Diverse Ages in the Workplace

Landis+Gyr's workforce has become increasingly diverse in terms of age demographics, creating professional environments that are rich with experience and maturity as well as youthful exuberance. The wide age spectrum offers the advantages of a dynamic, multi-generational workforce with a diverse range of skill sets and facilitates on-going knowledge transfer. Data show also the long-term commitment of employees to Landis+Gyr and a good balance of the length of their service.

Length of service	Count as per March 31, 2019
0–1 year	1,362
2–5 years	1,552
6–15 years	1,666
16–25 years	738
26+ years	293

Confirmed Environmental Goals 2017-2019

Total amount of waste

– 2.0%

Overall CO_2 emissions

– 2.0%

Landfill ratio

– 2.0%

CO_2 emissions per unit produced

– 1.5%

(Targets per FY, compared to 2016 amounts)

Risk Management

Landis+Gyr is focused on identifying and mitigating risks and has embedded risk management across the business planning and controlling processes throughout the Company.

Using well developed instruments for assessing and identifying risk, Landis+Gyr tracks exposure across the spectrum from operational, strategic, financial and compliance categories. In addition to these more common business-related risk factors, other considerations include possible exposure to items such as sustainability, political, reputational and regulatory risks.

Well Established Process

The company has implemented a risk management process led by the Group Chief Financial Officer and approved by the Board of Directors, which sets out a structured process to systematically manage risks. In this process, various risks are identified, analyzed and evaluated, and risk-control measurements are determined. The objectives of the risk management process are to continuously ensure and improve compliance with corporate governance guidelines and best practices as well as legislation and regulations. The process creates an awareness for all key executives about the magnitude of risks and provides them with information for effective decision-making.

Clearly Defined Responsibilities and Control Mechanisms

The monitoring and control of risks are supported by our internal control system for financial reporting, which defines measures that reduce potential risks. The management is responsible for implementing, tracking and reporting of risk mitigation measures, including periodic reporting to the Board of Directors. Each identified material risk has a risk owner at management level who is responsible for the implementation of risk-management measures in his or her area of responsibility.

Risks that could materially impact our business and financial position and the development of internal controls to mitigate such risks are regularly discussed within the Audit and Finance Committee. The Committee discusses with the CFO and the Group General Counsel any legal matters that may have a material impact on the Group's business or financial position and any material reports or inquiries from regulatory or governmental agencies that could materially impact the Group's business or financial position. The Board of Directors is at least annually informed by management about any major changes in risk assessment, risk management and any mitigation actions taken. In FY 2018, the risk portfolio signed off by management was discussed with the entire Board of Directors at its February meeting.

Governance and Compliance

Landis+Gyr considers good corporate governance as a key precondition of ensuring sustainability throughout the Group's activities and indispensable to maintaining long-lasting, valuable relationships with the company's stakeholders.

Business is conducted in a legal, fair, ethical and transparent way by adhering to best practices at all times and applying the principles of our Code of Business Ethics and Conduct globally.

Code of Business Ethics and Conduct

The Company's Code of Business Ethics and Conduct (Code) www.landisgyr.com/webfoo/wp-content/uploads/2012/09/rz001_code_of_conduct_rgb_170719_AURM.pdf is one of the key documents in governing the management of risks and driving the culture within the company. We regularly review and update the Code to reflect changes in regulations and principles.

Data protection

FY 2018 represented an important milestone for the Company given the significant shift in the regulatory landscape in the European Union with the General Data Protection Regulation (GDPR). In addition, the Company witnessed similar legislative trends in other countries where it operates.

The year was marked with the rollout of several key data protection initiatives, including Company-wide awareness training and the designation of a Global Data Protection Officer.

Share Information

KEY STOCK EXCHANGE FIGURES

	01.04.2018 – 31.03.2019	21.07.2017 – 31.03.2018
Share price period end (CHF)	63.00	73.95
Share price high (CHF)	76.85	80.90
Share price low (CHF)	54.05	67.10
Market capitalization period end (excl. treasury shares; CHF million)	1,847	2,182
Average daily trading volume on SIX Swiss Exchange (number of shares) [1]	92,098	162,572
Number of issued shares	29,510,000	29,510,000
Number of treasury shares (period end)	198,674	–
Nominal value per share (CHF)	10.00	10.00

1 Excluding day of IPO. Data source: SIX Swiss Exchange.

KEY PER SHARE FIGURES

	Financial year ended March 31, 2019	Financial year ended March 31, 2018
Earnings per share – basic and diluted (USD)	4.15	1.57
Dividend per share (CHF)	3.15[1]	2.30

1 Proposal to the Annual General Meeting of June 25, 2019.

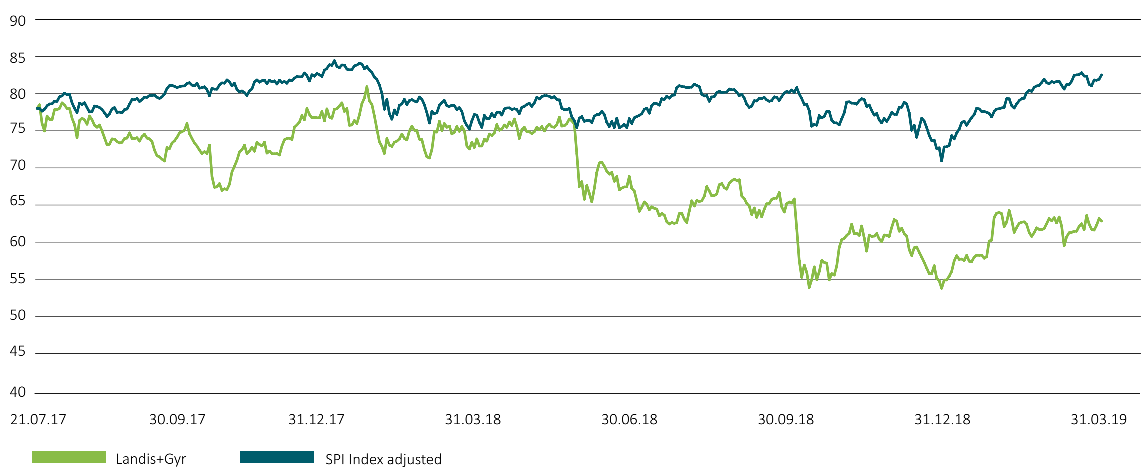
SHAREHOLDER STRUCTURE[1]

As of March 31, 2019, 11,099 shareholders were entered in the share register. The following shareholders held 3% or more of the outstanding share capital of Landis+Gyr Group AG.

Shareholder	Number of shares	% of share capital
KIRKBI Invest A/S, Denmark	4,445,265	15.06%
Rudolf Maag, Switzerland	3,000,000	10.17%
Franklin Resources, Inc., United States	1,825,813	6.19%
Fir Tree Value Master Fund, United States	1,136,000	3.85%
Nordea 1, SICAV, Luxembourg	918,351	3.11%
Norges Bank (the Central Bank of Norway), Norway	909,534	3.08%
Credit Suisse Funds AG, Switzerland	907,466	3.08%

1 For more details see Corporate Governance Report 2018, chapter 1.2 Significant Shareholders. On April 5, 2019, Fir Tree, reported that as of April 1, 2019 it had fallen below the reporting threshold of 3% of voting rights. After March 31, 2019, Norges Bank reported that it had crossed and re-crossed the reporting threshold of 3% of voting rights several times; see notifications of April 1, 2019 (below 3%), of April 15, 2019 (above 3%) and of April 16, 2019 (below 3%).

SHARE PRICE PERFORMANCE LANDIS+GYR GROUP AG



LANDIS+GYR GROUP AG REGISTERED SHARES	
Listing	SIX Swiss Exchange (International Reporting Standard)
Bloomberg Symbol	LAND SW
Reuters Symbol	LANDI.S
ISIN	CH0371153492
Valor Number	37115349
Indices	SPI, SPI EXTRA, SPI ex SLI, Swiss All Share Index, UBS 100 Index, Ethos Governance Index
Accounting Standard	US GAAP

CORPORATE CALENDAR	
Annual General Meeting 2019	June 25, 2019
Release of Half Year Results 2019	October 29, 2019
Release of Sustainability Report	October 29, 2019
Capital Markets Day	January 30, 2020
Release of Results for Financial Year 2019	May 28, 2020

Information Policy

The Landis+Gyr Group maintains an open dialog with all internal and external stakeholders. Our information policy is based on consistent, effective, open, honest and timely communication. Matters affecting the share price are published immediately in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange.

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This Annual Report is published in English and German. In the event of inconsistencies between the English and German versions of this report, the original English version prevails.

This Annual Report contains information regarding alternative performance measures. Definitions of these measures and reconciliations between such measures and their USGAAP counterparts may be found in pages 21 to 25 of Volume 4 of this Annual Report.

This Annual Report includes forward-looking information and statements including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for Landis+Gyr Group AG. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates”, “targets”, “plans”, “outlook”, “guidance” or similar expressions. All forward-looking statements are based only on data available to Landis+Gyr at the time of preparation of this Annual Report. Landis+Gyr does not undertake any obligation to update any forward-looking statements contained in this Annual Report as a result of new information, future events or otherwise.

There are numerous risks, uncertainties and other factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this report and which could affect our ability to achieve our stated targets. The important factors that could cause such differences include, among others: business risks associated with the volatile global economic environment and political conditions; costs associated with compliance activities; market acceptance of new products and services; changes in governmental regulations and currency exchange rates; estimates of future warranty claims and expenses and sufficiency of accruals; and such other factors as may be discussed from time to time in Landis+Gyr Group AG filings with the SIX Swiss Exchange. Although Landis+Gyr Group AG believes that its expectations reflected in any such forward-looking statement are based on reasonable assumptions, it can give no assurance that those expectations will be achieved.

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Corporate Governance Report 2018

Landis+Gyr
manage energy better

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Corporate Governance Report

Purpose of this Report

Good corporate governance is an essential element of Landis+Gyr's vision and values. We are committed to building trust with our customers and other stakeholders. Our Board of Directors are all non-executive directors and seven of our eight directors are independent. We have a Lead Independent Director who ensures independence and leadership for other independent directors. Further, the Chairman does not serve on either the Audit and Finance Committee or the Remuneration Committee. These practices contribute to the Board's independence and enhance the Board's ability to supervise Group Executive Management, including on matters of strategy, risk, compensation and compliance. We also have a compliance and data privacy function in addition to an independent internal audit function.

We shape our corporate governance efforts by reference to leading international standards. In addition, we follow the recommendations of the Swiss Code of Best Practice for Corporate Governance[1] and comply with applicable requirements of the SIX Swiss Exchange Directive on Information relating to Corporate Governance (DCG). This report follows generally the structure recommended by the DCG.[2]

Group Structure and Shareholders

1.1 Group structure[3]

1.1.1 Our Group's operational structure

To be close to our markets and efficiently provide our products, services and solutions in more than 100 countries around the world, the Landis+Gyr Group is organized in three regional reportable segments: the Americas, EMEA, and Asia Pacific. The Executive Vice-President heading each region is a member of the Group Executive Management.[4]

Americas

Our operations in the Americas are headquartered in Alpharetta, Georgia, USA and serve customers in North America, South America, Japan and certain other countries that have adopted the United States' ANSI metering standard. Our Americas segment primarily focuses on smart metering communications networks and solutions, connected intelligent devices, software and services.

EMEA

Our operations in EMEA are headquartered in Zug, Switzerland. The EMEA segment comprises our operations in Europe, the Middle East and Africa. In this region, the product offerings primarily focus on connected intelligent as well as standalone metering devices, software and services.

Asia Pacific

Our operations in the Asia Pacific region are headquartered in Sydney, Australia and serve customers in Australia, New Zealand, China, India, Southeast Asia and elsewhere in Asia (but excluding Japan and certain other counties that have adopted the United States' ANSI metering standard). This segment primarily focuses on connected intelligent and standalone metering devices, software and services.

1.1.2 Listing and capitalization

Landis+Gyr Group AG[5] shares are listed on SIX Swiss Exchange (ISIN: CH0371153492, ticker symbol: LAND, valor number: 37'115'349). On March 31, 2019, the market capitalization (excluding treasury shares) was CHF 1,846,579,518. There are no other listed companies belonging to the Group.

1 As in force on March 31, 2019.
2 This Governance Report is subject to all legal reservations and disclaimers set forth on page 50 of the Annual Report.
3 As used in this report references to the "Company" or to "L+G" are to Landis+Gyr Group AG, Theilerstrasse 1, 6302 Zug, Switzerland and references to "we", "us", "our" or the "Group" are to Landis+Gyr Group AG and its consolidated subsidiaries, unless context requires otherwise.
4 See also section 3.5.2.
5 Its registered offices are at c/o Landis+Gyr AG, Theilerstrasse 1, 6302 Zug, Switzerland.

1.1.3 Non-listed companies belonging to Landis+Gyr Group AG

Landis+Gyr Group AG is the ultimate parent company of the Group. Its sole shareholding is in Landis+Gyr AG, which directly or indirectly owns the other companies in the Group. The table below sets forth, as of March 31, 2019, the name, place of incorporation, ownership interest and share capital of the significant direct and indirect subsidiaries of Landis+Gyr Group AG.

NON-LISTED SIGNIFICANT DIRECT AND INDIRECT SUBSIDIARIES OF LANDIS+GYR GROUP AG

Company name	Registered office	Country	Interest %	Share capital in thousands	Currency
Landis+Gyr Pty Ltd.	Mascot, NSW	Australia	100	5,000	AUD
Landis+Gyr E.d.M. Ltd.	Curitiba	Brazil	99.99	31,543	BRL
Landis+Gyr Meters & Syst. (Zhuhai) Co Ltd.	Zhuhai	China	100	65,000	HKD
Landis+Gyr OY	Jyskä	Finland	100	16,818	EUR
Landis+Gyr SAS	Montluçon	France	100	2,460	EUR
Landis+Gyr Ltd.	Peterborough	Great Britain	100	2,800	GBP
Landis+Gyr GmbH	Nuremberg	Germany	100	1,023	EUR
Landis+Gyr A.E	Corinth	Greece	100	7,950	EUR
Landis+Gyr Ltd.	Kolkata	India	100	457,400	INR
Landis+Gyr S.A. de C.V.	Reynosa	Mexico	99.99	10	MXN
Landis+Gyr BV	Gouda	Netherlands	100	90	EUR
Landis+Gyr (Pty) Ltd.	Kosmosdal	South Africa	69.9	2,000	ZAR
Landis+Gyr AG	Zug	Switzerland	100	29,700	CHF
Landis+Gyr LLC	Lafayette, IN	USA	100	0.002	USD
Landis+Gyr Technology Inc.	Alpharetta, GA	USA	99.99	10,001	USD

1.2 Significant shareholders

To the best of Landis+Gyr's knowledge, the following shareholders had holdings of 3 % or more of the voting rights of the Company as of March 31, 2019.[6]

The number of registered shareholders as of March 31, 2019 was 11,099 holding 20.8 million shares, approximately 70.5% of the total shares. Unregistered shares (in disposition) amounted to 8.7 million or approximately 29.5% of the total shares.

As of March 31, 2019, the Group held 198,674 treasury shares, whereas 157,842 thereof were repurchased under the share buyback program. The source of the treasury shares is explained in more detail in Section 2.3.

6 The number of shares shown here and the holding percentages are based on the last disclosure of shareholding communicated by the shareholder to the Company and the Disclosure Office of SIX Swiss Exchange. The number of shares held by the relevant shareholder may have changed since the date of such shareholder's notification. Any reportable changes since the date hereof can also be found on the website of the Disclosure Office of the SIX Swiss Exchange, which also includes the individual reports of the significant shareholders: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Shareholder	Number of shares	% of voting rights
KIRKBI Invest A/S[7], Denmark	4,445,265	15.06%
Rudolf Maag, Switzerland	3,000,000	10.17%
Franklin Resources, Inc.[8], United States	1,825,813	6.19%
Fir Tree Value Master Fund[9], United States	1,136,000	3.85%
Nordea 1, SICAV[10], Luxembourg	918,351	3.11%
Norges Bank (the Central Bank of Norway), Norway	909,534	3.08%
Credit Suisse Funds AG, Switzerland	907,466	3.08%

On April 5, 2019, Fir Tree reported that as of April 1, 2019 it had fallen below the reporting threshold of 3% of voting rights. After March 31, 2019, Norges Bank reported that it had crossed and re-crossed the reporting threshold of 3% of voting rights several times, see notifications of April 1, 2019 (below 3%), of April 15, 2019 (above 3%) and of April 16, 2019 (below 3%).

1.3 Cross-shareholdings
The Company is not aware of any cross-shareholding exceeding 5% of the capital or voting rights with any other company.

Capital Structure

2.1 Capital
On March 31, 2019, the Company's ordinary share capital as registered with the Commercial Register of the Canton of Zug amounted to CHF 295,100,000, divided into 29,510,000 fully paid registered shares with a par value of CHF 10.00 per share. The shares are non-assessable.

The Company's Articles of Association do not provide for any authorized capital.

2.2 Conditional capital
The Company may increase its share capital by up to CHF 4,500,000 by issuing up to 450,000 fully paid in registered shares with a nominal value of CHF 10.00 each, upon the exercise of option rights or in connection with similar rights regarding shares (including PSUs or performance stock units and/or RSUs, restricted stock units) granted to officers and employees at all levels of the Group. Pre-emptive rights and advance subscription rights of shareholders do not apply, and the shares may be issued at a price below the market price. If fully utilized, the maximum amount of conditional capital (CHF 4,500,000) would equal approximately 1.5% of the existing share capital.[11]

2.3 Share buyback program
On January 29, 2019 the Company announced that its Board of Directors had approved a share buyback program of up to CHF 100 million or a maximum of 8% of shares outstanding. The shares are being repurchased for the purposes of cancellation, subject to approval by future Annual General Shareholders' Meetings. As of March 31, 2019, 157,842 shares (0.53% of shares outstanding) had been repurchased under the program. In addition, Landis+Gyr AG regularly purchases additional shares for the purposes of Board of Director compensation and the Company's Long-Term Incentive Plan.

7 Kjeld Kirk Kristiansen, 7190 Billund, Denmark, Thomas Kirk Kristiansen, 5300 Kerteminde, Denmark, Sofie Kirk Kristiansen, 6670 Holsted, Denmark, Agnete Kirk Kristiansen, 8752 Oestbirk, Denmark, ("Kristiansen Group") holding directly or indirectly through KIRKBI Invest A/S, 7190 Billund, Denmark, 4,445,265 registered shares corresponding to 15.06% of voting rights.
8 Franklin Resources Inc., One Franklin Parkway, San Mateo, CA 94403, United States, holds directly or indirectly a total of 6.19% of voting rights, of which 1,147,437 registered shares corresponding to 3.89% of voting rights as beneficial owner and 678,376 registered shares corresponding to 2.30% of voting rights as person who can exercise the voting rights at its own discretion, pursuant to Art. 120 para. 3. For the specific details please refer to the report of Franklin Resources Inc. on the website of the Disclosure Office of SIX Swiss Exchange: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.
9 Fir Tree Capital Management L.P., United States as beneficial owner.
10 Nordea Investment Funds S.A., L-2220 Luxembourg, Luxembourg as license holder.
11 For a more comprehensive description of the terms and conditions of the issuance of the conditional capital, refer to Art. 3a of the Articles of Association.

2.4 Changes in capital

From 2012 through the date of the initial public offering the Company had a nominal share capital of CHF 295,100,000, divided into 295,100,000 fully paid-in registered shares with a nominal value of CHF 1.00 each. In connection with the initial public offering of the Company, the shareholders' meeting held on July 11, 2017 resolved to change the number and nominal value of shares such that since the date of the initial public offering on July 21, 2017 the nominal issued share capital of the Company is CHF 295,100,000, divided into 29,510,000 fully paid-in registered ordinary shares with a nominal value of CHF 10.00 each. No further changes in capital have taken place.

2.5 Shares and participation certificates

The 29,510,000 shares are registered shares with a nominal value of CHF 10.00 each and are fully paid-in. Each share carries one vote at a shareholders' meeting. The shares rank pari passu in all respects with each other, including, in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company and to pre-emptive rights.

The Company issues its shares as uncertificated securities (*Wertrechte*), within the meaning of Art. 973c CO, and enters them into the main register of SIS and, consequently, constitutes them as book-entry securities (*Bucheffekten*) within the meaning of the Federal Act on Intermediated Securities (FISA). In accordance with Art. 973c CO, the Company maintains a register of uncertificated securities (*Wertrechtebuch*).

2.6 Dividend-right certificate

There are no dividend-right certificates (*Genussscheine*).

2.7 Limitations on transferability and nominee registrations

The Company's Articles of Association contain no limitations on transferability. Every person recorded in the share register is regarded as a shareholder of the Company. Persons not expressly declaring themselves to be holding shares for their own account in their application for entry in the share register or upon request by the Company (Nominees[12]) are entered in the share register with voting rights without further inquiry up to a maximum of 3.0% of the share capital outstanding at the time. Above this limit, shares held by Nominees are entered in the share register with voting rights only after the Nominee discloses the names, addresses and shareholdings of the persons for whose account the Nominee is holding 0.5% or more of the share capital and provided that the disclosure requirements stipulated by the FMIA are complied with. The same restrictions also apply to the subscription for or acquisition of shares by exercising pre-emptive, option or convertible rights arising from shares.

Under Article 5 of the Articles of Association, the Company may in special cases approve exceptions to the above restrictions. The decision to grant exceptions is made at the discretion of the Board. As of March 31, 2019, no exemptions under Article 5 of the Articles of Association had been granted.[13]

2.8 Convertible bonds and options

The Company has no bonds or options regarding its shares outstanding as of March 31, 2019.

12 Legal entities or partnerships or other associations which are linked through capital ownership or voting rights, through common management or in a similar manner, as well as individuals, legal entities or partnerships which act in concert with the intent to circumvent the entry restriction, are considered as one shareholder or Nominee.
13 For a comprehensive description on the limitations to transferability and nominee registration refer to Art. 5 of the Articles of Association.

Board of Directors

3.1 Members of the Board of Directors

3.1.1 Overview

The Board of Directors is entrusted with the ultimate strategic direction of the Company as well as the supervision of the management. Accordingly, Board candidates are carefully selected to ensure qualified, committed members who will devote the effort and time necessary to effectively carry out their governance responsibilities.

In selecting members, the Board looks for diversity of backgrounds (current members represent six nationalities and diverse ages) as well as experience and expertise relevant for the specific role they will play on the Board, including on one or both of its two committees, Audit & Finance and Remuneration.

The Board consists entirely of non-executive members. In addition, because the current Chairman formerly served as Chief Executive Officer of the Company, the Board also has a Lead Independent Director. The role of the Lead Independent Director is described in Section 3.4.2 below. As of March 31, 2019, the Board members were:

Name	Role	First Election	Expires [14]	Committees
Andreas Umbach	Chairman, not independent	2017	2019 AGM	None
Eric Elzvik	Lead Independent Director	2017	2019 AGM	Remuneration (Chair), Audit and Finance
Dave Geary	Independent Member	2017	2019 AGM	Remuneration
Pierre-Alain Graf	Independent Member	2017	2019 AGM	Remuneration
Mary Kipp	Independent Member	2018	2019 AGM	None
Peter Mainz	Independent Member	2018	2019 AGM	None
Andreas Spreiter	Independent Member	2017	2019 AGM	Audit and Finance (Chair)
Christina Stercken	Independent Member	2017	2019 AGM	Audit and Finance

14 All Board members are elected annually in accordance with Swiss Corporate law and Landis+Gyr Group AG's Articles of Association.

Andreas Umbach

Chairman
Since July 19, 2017
Born: 1963

Nationality: Swiss/German

Prior positions at Landis+Gyr:
Executive Chairman of the Board of Directors of Landis+Gyr AG (April 2017 to July 2017); Group CEO/COO (2002 to 2017)

Current positions at profit-oriented companies other than Landis+Gyr:
Chairman of the Board of Directors of SIG Combibloc Group AG (SIX: SIGN) (2018 to present); Board member of Ascom Holding AG (SIX: ASCN) (Director since 2010, Chairman from 2017 to April 10, 2019, afterwards regular Board member); Board member of WWZ AG (2013 to present); Chairman of the Supervisory Board of Techem Energy Services GmbH (since 2018)

Prior other positions:
Board member at LichtBlick SE (2012 to 2016); President of the Siemens Metering Division within the Power Transmission and Distribution Group and other positions within Siemens (2002 and prior)

Education:
Master of Business Administration, University of Texas at Austin, USA; Diplom-Ingenieur in Mechanical Engineering, Technical University of Berlin, Germany

Eric Elzvik

Lead Independent Director
Since July 19, 2017
Born: 1960

Nationality: Swiss/Swedish

Prior positions at Landis+Gyr:
None

Current positions at profit-oriented companies other than Landis+Gyr:
Board member at AB Volvo (STO: VOLV) (2018 to present); Board member and Chairman of the audit and compliance committee of LM Ericsson Telephone Company (STO: ERIC) (2017 to present); Board member of Fenix Marine Services (2017 to present); and Board member of VFS Global (2018 to present)

Prior other positions:
Chief Financial Officer and Group Executive Committee Member, ABB Ltd (2013 to 2017); various other positions at ABB including Division CFO ABB Discrete Automation & Motion (2010 to 2013); Division CFO Automation Products Division (2006 to 2010) and prior to that various senior positions within finance, mergers & acquisitions and new ventures; Board member of the Swiss Swedish Chamber of Commerce (2016 to 2017)

Education:
Master of Business Administration (Civilekonom), Stockholm School of Economics, Sweden

Dave Geary

Independent Member
Since July 19, 2017
Born: 1955

Nationality: USA

Prior positions at Landis+Gyr:
None

Current positions at profit-oriented companies other than Landis+Gyr:
Founder of DJGeary Consulting, LLC (2016 to present)

Prior other positions:
Executive Vice President Business Integration at Nokia Networks (2016); President of the Wireless Networks business at Alcatel-Lucent (2012 to 2015); President of Wireline Networks (2009 to 2012); and before that other senior positions within Lucent Technologies and AT&T Network Systems

Education:
Master of Business Administration in Finance, Kellogg School of Management, Northwestern University, USA; Bachelor of Science in Electrical Engineering, Bradley University, USA

Pierre-Alain Graf

Independent Member
Since July 19, 2017
Born: 1962

Nationality: Swiss

Prior Positions at Landis+Gyr:
None

Current positions at profit-oriented companies other than Landis+Gyr:
Senior Vice President of Global Security Business within the Power Grids Division of ABB Ltd. (SIX: ABBN) (2017 to present); Board member of Broadband Networks AG (2016 to present); and owner of PAG Consulting & Services GmbH (2016 to present)

Prior other positions:
Board member of Leclanché SA (2017 to 2018); Chief Executive Officer of Swissgrid (2008 to 2015); Chairman of the TSC – TSO Security Cooperation (2011 to 2015); Earlier positions include General Manager, Cisco Systems Switzerland

Education:
Master of Business Administration, University of St. Gallen, Switzerland; Master's in Law, University of Basel

Mary Kipp

Independent Member
Since June 28, 2018
Born: 1967

Nationality: USA

Prior Positions at Landis+Gyr:
None

Current positions at profit-oriented companies other than Landis+Gyr:
President and Chief Executive Officer El Paso Electric Company (NYSE: EE) (2014 to present)

Prior other positions:
Various positions at El Paso Electric Company including Senior Vice President, General Counsel and Chief Compliance Officer (2010 to 2014); Board Member of WestStar Bank, El Paso, Texas (2016 to 2018); Board member First Fabens Bancorporation, Inc. (2015 to 2016); Earlier positions (2009 and earlier) include Senior Enforcement Attorney at Federal Energy Regulatory Commission (FERC) Office of Enforcement; Attorney at Greenburg Traurig LLP, El Paso Electric Company and El Paso Natural Gas Company

Education:
Juris Doctor from the University of Texas School of Law, USA; Bachelor of Arts, Williams College, Massachusetts, USA

Peter Mainz

Independent Member
Since June 28, 2018
Born: 1964

Nationality: Austrian

Prior Positions at Landis+Gyr:
None

Current positions at profit-oriented companies other than Landis+Gyr:
None

Prior other positions:
Board Member of Itron, Inc. (2016 to 2018); Non-Executive Director of Cyan Connode Holdings (2014 to 2015); President and Chief Executive Officer of Sensus (2008 to 2014); Other positions at Sensus including Executive Vice President of Operations and Chief Financial Officer (2003 to 2008); Various Positions at Invensys including VP Finance Metering Systems Division (1999 to 2003); and previously Controller at Schlumberger

Education:
Master of Business Administration, Texas A&M University, USA; Bachelor of Business Administration and Computer Science, Johannes Kepler University, Linz, Austria

Andreas Spreiter

Independent Member
Since July 19, 2017
Born: 1968

Nationality: Swiss/British

Prior Positions at Landis+Gyr:
Group CFO (2002 to 2012); prior positions at Landis+Gyr and its predecessors including Business Unit Head Digital Meters/Head of Center of Competence Electronic Meters and Business Unit Controller/Head of Finance & Controlling

Current positions at profit-oriented companies other than Landis+Gyr:
Board member and Chairman of audit committee of Reichle & De-Massari Holding AG (2010 to present)

Prior other positions:
Group CFO of Forbo International AG (2013 to 2017)

Education:
Master in Industrial Engineering, Swiss Federal Institute of Technology (ETH), Switzerland

Christina Stercken

Independent Member
Since July 19, 2017
Born: 1958

Nationality: German

Prior Positions at Landis+Gyr:
None

Current positions at profit-oriented companies other than Landis+Gyr:
Board member of Ascom Holding AG (SIX: ASCN) (2014 to present) and Board member of Ansell Ltd. (ASX: ANN) (2017 to present)

Prior other positions:
Partner at Euro Asia Consulting PartG (EAC) (2006 to 2017). Earlier positions include Siemens AG, Managing Director Corporate Finance M&A, Lead of the Siemens Task Force China and Head of Public Sector Business Unit, Siemens Business Services; and BMW Pvt. Ltd., South Africa

Education:
Executive Master of Business Administration, Duke University, N.C., USA; Diploma, Economics and Business Administration, University of Bonn and Technical University of Berlin, Germany

3.1.2 Skillset and Assessment of the Board of Directors

We aim to have a well-balanced Board of Directors with individuals who bring a variety of perspectives, backgrounds, and skills and who apply them to permit the Board of Directors to offer informed stewardship.

When identifying members for the new Board of Directors at the time of the Company's initial public offering, a collective set of important skills/traits was defined with the support of an external consultant. This set of skills/traits was reviewed and expanded in financial year 2018 (FY 2018; April 1, 2018 to March 31, 2019). The Board Skill Matrix below summarizes the updated set of skills/traits grouped into six categories. The actual skillset/traits of the current Board of Directors were then reviewed and mapped against the matrix and it was confirmed that the existing Board of Directors collectively possesses all of the identified skills/traits.

General	Governance	Technical/Functional	Industry Experience	Personality	Diversity
Independence	Understanding Fiduciary, Legal and Ethical Duties	Strategy Development and Execution	Utility Markets and Regulation	Honest, Fair and Diligent	Multicultural Background
Financial Proficiency	Board Experience	Growth and Innovation	Utility Operations	Commitment, Efficiency and Effectiveness	Gender
Global/International/Emerging Markets Experience	Governance Experience	Operational Excellence	Solutions, Software and Services in Energy Management	Independent Thinking	
Leadership, General Management and P&L Experience	Risk Management and Oversight	Financial Expertise			
	Sustainability/ Environmental/ Health and Safety	Digitalization incl. Cybersecurity			
		Transformation and Restructuring			

In addition, the Board of Directors carries out an annual self-assessment to identify strengths and areas for improvement. In FY 2018, this assessment was facilitated by an outside governance consultant who interviewed all directors and several management members.

3.1.3 Previous service as executives and other relationships

None of the Board members or companies or organizations they represent have important business connections with Landis+Gyr, except as follows: The Chairman served as Chief Executive Officer ("CEO") of the Group until March 31, 2017 and was thereafter elected as executive Chairman of Landis+Gyr AG[15] and served in that role until the initial public offering. Six of the current non-executive members of the Board of Directors were elected on July 19, 2017 in connection with the IPO; the other two non-executive members of the Board of Directors were elected on June 28, 2018 at the 2018 AGM.

3.1.4 Cross-shareholdings and other business connections

The Group has not entered into cross-shareholdings with other companies in terms of capital or voting rights, and no member of the Board serves on the board or executive management of any company having a material commercial relationship with Landis+Gyr. Two members serve on the same board (Ascom Holding AG) as further shown in the table under 3.2 below. Ascom and Landis+Gyr are in different industries.

15 Landis+Gyr AG is the senior operating subsidiary of Landis+Gyr Group AG.

3.2 Permitted mandates outside Landis+Gyr

In the interest of good governance, Article 23 of the Company's Articles of Association limits the number of outside mandates by the members of our Board as follows:

a) no more than four mandates as a member of the board of directors or of the senior management or administrative body of any publicly traded company, other than the Chairman for whom a limit of three applies;
b) no more than 10 mandates as a member of the board of directors or of the senior management or administrative body of non-publicly-traded, for-profit legal entities;
c) no more than 10 mandates in associations or in charity or employee assistance foundations.

The members of the Board of Directors currently have, on average, only one outside mandate at public companies, one outside mandate at non-public companies and one outside mandate at non-profit-oriented companies. To ensure compliance, the Board has a process for review of current and new mandates.

Name	Outside mandates at public profit-oriented companies	Outside mandates at non-public profit-oriented companies	Outside mandates at non-profit-oriented companies
Andreas Umbach (Chairman)	SIG Combibloc Group AG (SIX: SIGN) (Chairman), Ascom Holding AG (SIX: ASCN) (Chairman/Director)[16]	WWZ AG (Board member), Techem Energy Services GmbH (Chairman of the supervisory board)	Zug Chamber of Commerce and Industry (President)
Eric Elzvik	AB Volvo (STO: VOLV) (Board member), LM Ericsson Telephone Company (STO: ERIC) (Board member and Chairman of audit and compliance committee)	Fenix Marine Services (Board member), VFS Global (Board member)	CFO Circle Switzerland (Board member) until April 2019
Dave Geary	None	DJGeary Consulting, LLC (Founder)	None
Pierre-Alain Graf	ABB Ltd. (SIX: ABBN) (Senior Vice President)	Broadband Networks AG (Board member), PAG Consulting & Services GmbH (Owner)	None
Mary Kipp	El Paso Electric Company (NYSE: EE) (President and Chief Executive Officer)	None	U.S. Federal Reserve Bank of Dallas (Deputy Chair), Borderplex Alliance – US-Mexico Economic Development Group (Chair), Smart Electric Power Alliance (Board member and Chair-elect), Texas Business Leadership Council (Board member)
Peter Mainz	None	None	None
Andreas Spreiter	None	Reichle & De-Massari Holding AG (Board member and Chairman of audit committee)	None
Christina Stercken	Ascom Holding AG (SIX: ASCN) (Board member), Ansell Ltd. (ASX: ANN) (Board member)	None	Myanmar Foundation (Vice Chairman)

3.3 Elections and terms of office

As prescribed by Swiss law, members of the Board of Directors, including the Chairman, are elected individually by the shareholders at the ordinary General Meeting for a one-year term. Re-election is possible as long as at the time of election or re-election the relevant member has not completed the age of 70.[17]

16 Mr. Umbach chose not to stand for reelection as Chairman and so his term as Chairman of the Board of Ascom ended at the Ascom General Meeting in April 2019. He was elected as a regular member of the Board of Directors.
17 For more information on the terms of office of Board members, see Article 4 of the Organizational Regulations.

3.4 Internal organizational structure

3.4.1 Allocation of tasks within the Board of Directors

To operate effectively and allow in-depth focus in specific areas, the Board of Directors has an Audit and Finance Committee and a Remuneration Committee. The members of each committee are shown in the table under Section 3.1.1 above.

3.4.2 Tasks and area of responsibility of the Lead Independent Director

Appointed by the Board of Directors, the role of the Lead Independent Director (LID) is to provide leadership to the independent directors. Besides creating a governance means to address any potential issue where the Chairman – due to his previous role as CEO of the Group – may be conflicted, the LID function enhances the opportunity for each Board member's point of view to be heard. Further, if the Chairman is indisposed or conflicted, the LID chairs the Board meetings. This includes any deliberations or decision-taking involving the assessment of the Chairman's work.

3.4.3 Tasks and responsibilities of the Audit and Finance Committee

In addition to assisting the Board with oversight of financial reporting, the Audit and Finance Committee (AFC)[18] focuses on assessment of the adequacy of the Group's systems, policies, and controls regarding financial and non-financial risks. This includes compliance with legal and regulatory obligations, insurance and related matters.

The Committee also evaluates the work of the internal control functions (e.g. Internal Audit and Compliance) and of the external auditor, making proposals to the Board on the choice of the external auditor and, on request of the Chief Financial Officer ("CFO"), approving the budget for auditing and other fees from the external auditors.[19] The Committee also assesses the yearly business expenses of the members of Group Executive Management.

The AFC typically meets once every two to three months. Comprising independent Board members, the AFC regularly reports to the Board of Directors on its findings and recommendations. The overall responsibility, including for approving recommendations, remains with the Board of Directors. The Head of Global Internal Audit reports to the AFC. The Chief Compliance and Data Privacy Officer provides regular, independent reports to the CEO and to the AFC and ad hoc reports whenever requested by the AFC. The reports cover the compliance and data privacy programs and relevant issues and risks. In addition, the Chief Compliance and Data Privacy Officer will provide independent, ad hoc reports to the Board/AFC regarding any significant Group compliance or data privacy issues or risks.[20]

3.4.4 Tasks and responsibilities of the Remuneration Committee

The Remuneration Committee (RemCo) supports the Board of Directors in ensuring that executives and employees are paid in a way that rewards performance, innovation, and good conduct, while helping the Company to attract and retain the talent it needs to achieve its business goals.

Comprising three independent Board members,[21] the RemCo establishes and reviews the compensation strategy and prepares proposals to the shareholders' meeting regarding the compensation of the Board of Directors and the Group Executive Management. This includes, among other things, the compensation system, compensation targets for the Group Executive Management and other members of senior management, and maximum individual aggregate compensation of the CEO, as well as the individual compensation of other members of the Group Executive Management. It also includes the individual compensation of the Chairman of the Board and other members of the Board.

The RemCo typically meets once every two to three months. The Chairman of the RemCo reports to the full Board on the RemCo's findings and recommendations after each meeting, and the minutes

18 The three members of the AFC are appointed by the Board of Directors based on relevant qualifications and experience. They serve for one year and may be re-elected for further terms.
19 The external auditor is PwC (auditors of Landis+Gyr Group AG and of the Consolidated Financial Statements of the Landis+Gyr Group). It conducts its audit in compliance with Swiss law and in accordance with Swiss Auditing Standards and accounting principles generally accepted in the United States of America (US GAAP).
20 The organization, detailed responsibilities and reporting duties of the AFC are stipulated in its Charter and in Article 7.2 of the Organization Regulations.
21 In accordance with Swiss law, these members are elected each year by the shareholders' meeting. They serve for one year and may be re-elected for further terms.

of the meetings are made available to the members of the Board. The overall responsibility, including for approval of recommendations, remains with the Board of Directors.[22]

3.4.5 Board meetings and attendance

The Board of Directors meets as often as needed to fulfil its duties and responsibilities, usually monthly in person or via conference call.[23]

Between April 1, 2018 and March 31, 2019, the Board held 14 meetings (of which five were in-person meetings and nine were conference calls). The in-person meetings were for a full day and the calls had an average duration of approximately three hours. The overall attendance was 100% and is further detailed in the table below. In addition to the meetings, the Board held a two-day strategy meeting with Group Executive Management and other senior managers, and two full-day and one half-day onboarding sessions were attended by the two new Directors.

BOARD ATTENDANCE FROM APRIL 1, 2018 THROUGH MARCH 31, 2019

	24.4.	8.5.	17.5.	4.6.	27–28.6.	16.7.	17.8.	28.9.	25.10.	19.11.	20.12.	21.1.	24.2.	23.3.
Andreas Umbach	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Eric Elzvik	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Dave Geary	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Pierre-Alain Graf	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Mary Kipp	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	√
Peter Mainz	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	√
Andreas Spreiter	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Christina Stercken	√	√	√	√	√	√	√	√	√	√	√	√	√	√

Between April 1, 2018 and March 31, 2019, the Audit and Finance Committee held seven meetings with 100% attendance. These meetings generally lasted approximately three to five hours. The Remuneration Committee held five meetings with 100% attendance. These meetings generally lasted approximately three hours.

The Board meetings were, with the exception of certain Directors only sessions, attended by the CEO and members of the Group Executive Management and other senior managers. Meetings of the Audit and Finance Committee were all attended by the Chairman, the CEO and the CFO and several were attended by the Head of Global Internal Audit for the internal audit update sections. Meetings of the Remuneration Committee were all attended by an external advisor to the Remuneration Committee (in person or via conference call) and the Head of Human Resources; the CEO and the CFO attended parts of meetings of the Remuneration Committee in an advisory function but were excluded from certain discussions. No member of management attended the part of the meetings in which their own performance or remuneration was discussed. The Chairman of the Board attended all Remuneration Committee meetings, but he was not present during meetings or parts thereof during which his own remuneration was discussed.

22 The organization, detailed responsibilities and reporting duties of the RemCo are stipulated in its Charter, in Article 19 of the Company's Articles of Association and in Article 7.3 of the Organization Regulations.
23 This is pursuant to the Organization Regulations, which foresee that meetings take place at the request of the Chairman or Lead Independent Director, or of any other member if done in writing and justifying the reason for such request.

3.5 Responsibilities between the Board of Directors and Group Executive Management

Landis+Gyr's two main governing bodies allocate their tasks and responsibilities as follows:

3.5.1 Board of Directors

The Board of Directors is entrusted with the ultimate strategic direction of the Company as well as with the oversight of management. This includes determining the strategy of the Group upon recommendation of the CEO and appointing the CEO and the other members of the Group Executive Management, as well as the Head of Global Internal Audit.

Although pursuant to the Articles of Association and the Organization Regulations, the Board may, to the extent permitted by law, delegate various responsibilities to the CEO, it retains in line with Articles 16 and 17 of the Articles of Association and the provisions of the Organization Regulations, certain duties, including in respect of determining the risk profile of the Group, monitoring risks, and ensuring fundamental policies and controls are in place such as with regard to compliance with applicable law and regulations.[24]

Resolutions of the Board of Directors require the affirmative simple majority of the votes cast. Circular resolutions require the majority of the members of the Board. In the case of a tie on any issue, the Chairman has the casting vote.

3.5.2 Group Executive Management (Konzernleitung)

The CEO[25] leads and is assisted by the Group Executive Management and the Extended Executive Management. The Group Executive Management comprises the CEO, CFO, Chief Strategy Officer ("CSO") and the Regional Executive Vice Presidents ("EVPs").[26] The CEO is appointed and removed by the Board of Directors. The other Group Executive Management members are appointed and removed by the Board of Directors upon recommendation of the CEO. The Extended Executive Management is a larger group comprising key functional leaders and direct reports to the CEO.

The Extended Executive Management generally meets on a monthly basis.

3.6 Information and control instruments vis-à-vis the Group Executive Management

At the invitation of the Board of the Directors, members of Group Executive Management and Extended Executive Management may attend Board meetings and report on significant projects and events. However, the Board may limit their participation to relevant meetings or parts of meetings. In addition, the Board may meet in private session, i.e. without management presence.

To ensure the Board of Directors receive timely information on material matters involving the Group's business, the members of the Group Executive Management and Extended Executive Management report to the Board and its committees before or at every meeting, including regarding strategic, financial, risk, and compliance matters. Internal audit and compliance also make regular reports to the Board or its committees. In addition, the Chairman acts as liaison between the Board and management and in this capacity has regular interactions with the CEO, other members of the Group Executive Management and the Group General Counsel. The LID has regular interactions with the CEO and the Senior Vice President of Global Human Resources, and the Chairman of the AFC has regular interactions with the CFO and the Head of Global Internal Audit.

In addition to reviewing and approving the Group's comprehensive annual risk assessment process, the Board and its committees are updated regularly by members of the Group Executive Management and Extended Executive Management on all key risks facing the Group, such as quality issues, the progress of major customer projects, the progress of R+D projects and other risk areas as they are identified.

Other reports to the Board include information about the balance sheet, the income and cash flow statements, and key figures for the company and its segments. The reports incorporate comments on the respective business results and a forecast of the key figures. The CEO and CFO report at every Board meeting on business developments and all matters relevant to the company, including

24 The detailed description of these retained responsibilities and duties are stipulated in Articles 16 and 17 of the Articles of Association.
25 The CEO exercises those duties which the Board of Directors has delegated to management in accordance with the Company's Organizational Regulations and Swiss law.
26 The Organization Regulations were changed effective as of May 28, 2019, to reflect that the Group Executive Management comprises the CEO, CFO, the EVP for the Americas and the EVP for EMEA.

competitor activities and emerging opportunities and threats. Furthermore, the Board reviews and approves major customer contracts that exceed a certain value or have particular risk characteristics. During the Board Meetings, the Chairmen of the Audit and Finance Committee and the Remuneration Committee also report on all matters discussed by their committees and on the key findings and assessments, and they submit proposals accordingly. Each year, the Board of Directors discusses and approves the budget for the following year and the five-year midterm plan.

The Board's responsibility includes defining the fundamentals of and monitoring the effectiveness of an internal control system (ICS) relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The ICS ensures the implementation of appropriate procedures and measures to identify and monitor the main financial risks to which the Company is exposed. In particular, the aim of the ICS is to ensure the integrity and completeness of accounting, to provide timely and reliable financial reporting, and to prevent, minimize and identify errors and irregularities in the financial statements.

In order to achieve these objectives, Group companies in scope for external and internal audit are determined annually. Hence, it is ensured that at least 80% of the revenue and of total assets of the Group are covered. The external audit confirms the existence of the ICS in connection with the year-end audit. Additionally, the external auditor submits improvement suggestions on a yearly basis, which are implemented in the following year.

The internal audits are conducted by the internal audit function in accordance with an annual plan approved by the AFC. A distinction is made between regular and special engagement audits. The latter consist of limited reviews, compliance audits, and other special engagements that are incident-specific and upon request of senior management, the AFC or the Board. In all cases, internal audit engagements are approved by the AFC. Regular audits focus on the larger entities and higher risk areas. Detailed reports of identified deficiencies are prepared (with deficiencies classified as either high, medium or low risk) and remedial action plans are agreed with management. The risks and deficiencies identified in these audits are minimized or eliminated by measures adopted by management and are regularly monitored. In FY 2018, eight internal audits were conducted. The internal audits were restricted to selected business processes. In its review of audited Group companies and organizations, risks and control deficiencies in connection with the above-mentioned business processes were analyzed. Internal audit reports are submitted to the AFC and reviewed by the AFC with the Head of Global Internal Audit, at least four times per year. The implementation and reliability of the controls introduced with the ICS were examined by the Group and regional management to ensure that deviations were identified and that appropriate corrective measures were implemented.

Group Executive Management

4.1 Members of the Group Executive Management

As of March 31, 2019, the members of the Group Executive Management were:

Name	Position	Year of Appointment
Richard Mora	Chief Executive Officer (“CEO”)	2017
Jonathan Elmer	Chief Financial Officer (“CFO”)	2012
Susanne Seitz	Head of EMEA	2018
Prasanna Venkatesan	Head of Americas	2013

Three members of the Group Executive Management departed during FY 2018. Oliver Iltisberger's active role ended on June 1, 2018; Ellie Doyle's active role ended on October 31, 2018; and Roger Amhof's active role ended on December 31, 2018. For more information on these former members of the Group Executive Management, please refer to pages 15 and 16 of the Company's Corporate Governance Report 2017.

4.2 Professional background and other activities and functions

Richard Mora

CEO
Since April 2017

Nationality: USA

Prior positions at Landis+Gyr (2001 to 2017):
COO (November 2013 to April 2017); EVP and President & CEO Americas (2011 to 2013); EVP and President & CEO North America (2008 to 2011)

Current positions outside of Landis+Gyr:
Board member of Enphase Energy, Inc. (NASDAQ: ENPH) (2014 to present)

Prior other positions:
Various management positions within the Siemens Group, including CEO of Siemens Metering, Inc.; Director of Quality for Siemens Power Transmission & Distribution; positions at GE Capital, including as a Manager of Strategy & Analysis, and as a Manager of Productivity & Income Improvement

Education:
Bachelor of Arts in Economics, Stanford University, USA

Jonathan Elmer

EVP and CFO
Since August 2012

Nationality: British

Prior positions at Landis+Gyr (1996 to 2012):
CFO, EMEA (2009 to 2012); EVP and CEO, UK/Prepayment region (2004 to 2008); Finance Manager and then CEO, Ampy Metering Ltd. (1996 to 2004)

Current positions outside of Landis+Gyr:
None

Prior other positions:
None

Education:
Degree in Economics and Politics, University of Exeter, UK; member of the Institute of Chartered Accountants, England and Wales, UK

Susanne Seitz

EVP and Head of EMEA
Since November 2018

Nationality: Swiss

Prior positions at Landis+Gyr:
None

Current positions outside of Landis+Gyr:
None

Prior other positions:
Various management positions with Siemens Building Technologies (2003 to 2018), including SVP Europe North (2017 to 2018), SVP Systems & Solutions (2015 to 2017); VP Enterprise Security (2012 to 2015); and Director of Product Line Intrusion (2006 to 2010). Earlier in her career she worked for BT&T Asset Management in corporate communications and as a project manager with Ernst Basler and Partners

Education:
Executive Master of Business Administration from the University of St Gallen; Master of Science in Environmental Engineering, ETH Zurich

Prasanna Venkatesan

EVP and Head of Americas
Since November 2013

Nationality: USA

Prior positions at Landis+Gyr (2006 to 2013):
SVP & General Manager Systems & Services, Landis+Gyr North America (2009 to 2013); VP Research and Development, Landis+Gyr (Jan 2008 to Jan 2009); positions at Cellnet Technology, Inc. (acquired by Landis+Gyr in 2007), included VP of Supply Chain and Manufacturing engineering and leading the integration process of Cellnet Technology, Inc. into Landis+Gyr

Current positions outside of Landis+Gyr:
Advanced Energy Economy (Board member of not for profit organization) (2015 to present)

Prior other positions:
Several senior level engineering and operations management positions (including as Technology Center Manager), Schlumberger

Education:
Master of Science in Industrial Engineering, University of Oklahoma, USA

4.3 Mandates permitted outside Landis+Gyr

In the interest of good governance and to ensure our executives focus on the business of the Company, Article 23 of the Company's Articles of Association limit the number of outside mandates by members of the Group Executive Management as follows:

a) no more than one mandate as member of the board of directors or of any other superior management or administrative body of any publicly traded company[27]

b) no more than five mandates as member of the board of directors or of any other superior management or administrative body of legal entities not meeting the above-mentioned criteria.

All members of the Group Executive Management combined currently have only one outside mandate at public companies and one outside mandate at other companies. To ensure compliance, the Group Executive Management must secure approval from the Board of Directors before accepting any new mandate.

4.4 Management contracts

There are no management contracts with third parties at Landis+Gyr.

Compensation, Shareholdings and Loans

The remuneration programs within Landis+Gyr are periodically reviewed to ensure continued alignment with the Group's strategy and market practice, and all details of compensation, shareholdings and loans are set forth on pages 17 to 23 of the Remuneration Report 2018.

Rules regarding the principles of compensation, participation plans, loans, credits and pension benefits are set in Articles 24, 25, 26, 28 and 29 of the Articles of Association. The rules regarding the approval of the remuneration by the Annual General Meeting are set forth in Article 12 of the Articles of Association.

Shareholders' Participation Rights

6.1 Voting rights restrictions and representations

6.1.1 Voting rights restrictions and rules on granting exceptions

Voting rights are as set forth in the Articles of Association.[28] They may be exercised only after a shareholder has been registered in the Company's share register as a shareholder with voting rights up to a specific qualifying day (Record Date) designated by the Board of Directors. On application, persons acquiring shares are entered in the share register as shareholders with voting rights without limitations, provided they expressly declare having acquired the shares in their own name and for their own account and that they comply with the disclosure requirement stipulated by the Federal Act on Financial Market Infrastructure (FMIA). Entry in the share register of registered shares with voting rights is subject to the approval of the Company.

The entry may be refused based on the grounds set forth in article 5, paragraphs 3, 4 and 5 of the Articles of Association. The respective rules, including the group clause, the rules on granting exceptions, and on exceptions granted during the period under review have been described in Section 2.7 "Limitations on transferability and nominee registrations" on page 7 of this Corporate Governance Report.

If the Company does not refuse to register the acquirer as a shareholder with voting rights within 20 calendar days upon receipt of the application, the acquirer is deemed to be a shareholder with voting rights. Non-recognized acquirers are entered in the share register as shareholders without

27 Pursuant to Article 727 para. 1 number 1 of the Swiss Code of Obligations.

28 The Articles of Association set forth all relevant conditions, including as to when the entry may be refused based on the grounds set forth in Article 5, para. 3, para. 4 and para. 5 of the Articles of Association. See also Section 2.7 above "Limitations on transferability and nominee registrations" of this report.

voting rights. The corresponding shares are considered as not represented in the General Meeting of Shareholders.

The Company may in special cases approve exceptions to the above restrictions. After due consultation with the persons concerned, the Company may delete entries in the share register of a shareholder with voting rights with retroactive effect if these were effected on the basis of false information or if the respective person does not provide the information pursuant to Article 5 para. 3 of the Articles of Association. The concerned person is immediately informed of the deletion.

6.1.2 Procedure and conditions for abolishing voting rights restrictions

Procedure and conditions for abolishing voting rights restrictions in the Articles of Association require resolution of the General Meeting passed by at least two thirds of the represented share votes. An absolute majority of the par value of represented shares is required to ease or abolish the restrictions on the transferability of registered shares (see Article 13 of the Articles of Association).

6.2 Rules on participation in the General Meeting of shareholders

At shareholders' meetings, shareholders may be represented by an independent proxy or any other person who need not be a shareholder. The Board of Directors determines the requirements regarding proxies and voting instructions.

6.3 Rules on instructions to the independent proxy and on the electronic participation in the General Meeting of shareholders

As the Articles of Association do not contain requirements on the subject, instructions in written or electronic form to an independent proxy for participation in the General Meeting of shareholders are governed by Swiss law.

6.4 Quorums required by the Articles of Association

The Company's Articles of Association do not stipulate any resolutions of the shareholders' meeting that can be passed only by a majority greater than that required by the statutory legal provisions.

6.5 Convocation of the General Meeting of shareholders

The Company's Articles of Association do not differ from applicable Swiss statutory provisions under Swiss law, other than that the Board of Directors is required to convene an extraordinary shareholders' meeting within two months if requested by one or more shareholder(s) representing in aggregate at least 5% of the Company's nominal share capital registered in the commercial register. Shareholders' meetings may also be convened by the Board of Directors or, if necessary, by a Company's statutory auditors or liquidators under Swiss law.

A shareholders' meeting is convened by publication of a notice of such meeting in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) at least 20 days before the date of the meeting. To the extent the post or e-mail addresses of the shareholders are known, a notice is sent simultaneously by mail or e-mail. The notice states the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposals of the shareholders who have requested the shareholders' meeting or that an item be included on the agenda.

6.6 Inclusion of items on the agenda

Registered shareholders with voting rights individually or jointly representing at least CHF 1 million of the nominal share capital of the Company may demand that items be put on the agenda. Such demands have to be submitted to the Chairman of the Board of Directors at least 45 days before the date of the shareholders' meeting and must be in writing specifying the items and the proposals.

6.7 Entries in the share register

The relevant date to determine the shareholders' right to participate in the AGM on the basis of the registrations appearing in the share register is set by the Board of Directors and included in the invitation to the AGM.

Change of Control and Defense Measures

7.1 Duty to make an offer

The Company does not have a provision on opting out or opting up in the Articles of Association.

7.2 Clauses on change of control

There are no such agreements.

Auditor

8.1 Duration of the mandate and term of office of the lead auditor

The independent statutory auditor of the Company is PricewaterhouseCoopers AG (PwC), Gotthardstrasse 2, 6302 Zug, Switzerland, who has been the auditor of the Company since financial year 2016 (FY 2016; April 1, 2016 to March 31, 2017). The auditor in charge is Rolf Johner who has been carrying out this function since PwC became the Company's statutory auditors. The lead auditor is rotated every seven years in accordance with Swiss law.

8.2 Auditing fees

PwC was paid compensation of CHF 1.9 million for services in connection with auditing the annual financial statements of the Company and the consolidated statements of the Group for FY 2018.

8.3 Additional fees

PwC charged CHF 0.3 million for non-audit services performed during the year-ended March 31, 2019. The non-audit services primarily included tax advisory services.

8.4 Information instruments pertaining to the external audit

PwC presents to the Audit and Finance Committee, on an annual basis, a detailed report on the results of the audit of the consolidated financial statements, the findings on significant accounting and reporting matters, and findings on the internal control system. The results and findings of this report are discussed in detail with the CFO.

The AFC reviews annually the appropriateness of retaining PwC as the auditor of the Landis+Gyr Group AG and its subsidiaries, before proposing to the Board and to the Annual General Meeting of Landis+Gyr Group AG the election of PwC as auditors. The AFC assesses the effectiveness of the work of the auditor in accordance with Swiss law, based on its understanding of the Group's business, control, accounting and reporting issues, together with the way in which matters significant at Group level or in the statutory accounts are identified and resolved. It also makes a recommendation to the Board of Directors concerning the choice of the external auditor.

The AFC is also informed on the work of PwC through briefings from its Chairman, who is in turn briefed as required by PwC. Audit fees are ultimately approved by the AFC.

In the period under review, PwC attended three meetings of the AFC at which PwC presented its report on the audit of the Group's accounts for the financial year 2017, (FY 2017; April 1, 2017 to March 31, 2018) its proposal for the audit of the Group's accounts for FY 2018 and a review of certain aspects of the Group's accounts for the six months to September 30, 2018.

The Group and PwC have agreed on clear guidelines and firewalls for non-audit services that are appropriate for PwC to provide. These services include due diligence on mergers, acquisitions and disposals and certain tax and business risk assurance and IS/IT advisory support. These guidelines are aimed at ensuring PwC's independence in their capacity as auditors to the Group. PwC monitors its independence throughout the year and confirms its independence to the AFC annually.[29]

Information Policy

9.1 Investor Relations – guiding principles
Landis+Gyr is committed to communicating in a timely and transparent way to shareholders, potential investors, financial analysts, and customers. Toward this end, the Board of Directors takes an active interest in fostering good relations and engagement with shareholders and other stakeholders. In addition, the Company complies with the requirements of SIX Swiss Exchange on the dissemination of material and price-sensitive information.

9.2 Methodology
The Company releases its financial results in an annual report that is published within four months after the 31 March balance sheet date. In addition, the Company releases results for the first half of each fiscal year within three months of the 30 September balance sheet date. The Company's annual report and half year results are announced via press releases and media and investor conferences in person and via telephone. The Company also publishes press releases at the time of any potentially price-sensitive event.

Notices to shareholders are made by publication in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt). The Board of Directors may designate further means for official publications. The following web-links provide further information:

The Company's website:
www.landisgyr.com

Ad-hoc messages (pull system):
www.landisgyr.com/investors

Subscription for ad hoc messages (push system):
www.landisgyr.com/investors/subscription-company-news/

Financial reports:
www.landisgyr.com/investors/financial-information

Corporate calendar:
www.landisgyr.com/investors/financial-calendar

The Landis+Gyr Group Investor Relations Department can be contacted, either through the website, or by telephone, e-mail or letter.

29 For more information on the AFC in respect of the external auditor, see Section 3.4.3 above.

Contact addresses

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The Board of Directors thanks the Company's shareholders, customers, and other stakeholders for their interest in and support of the Company.

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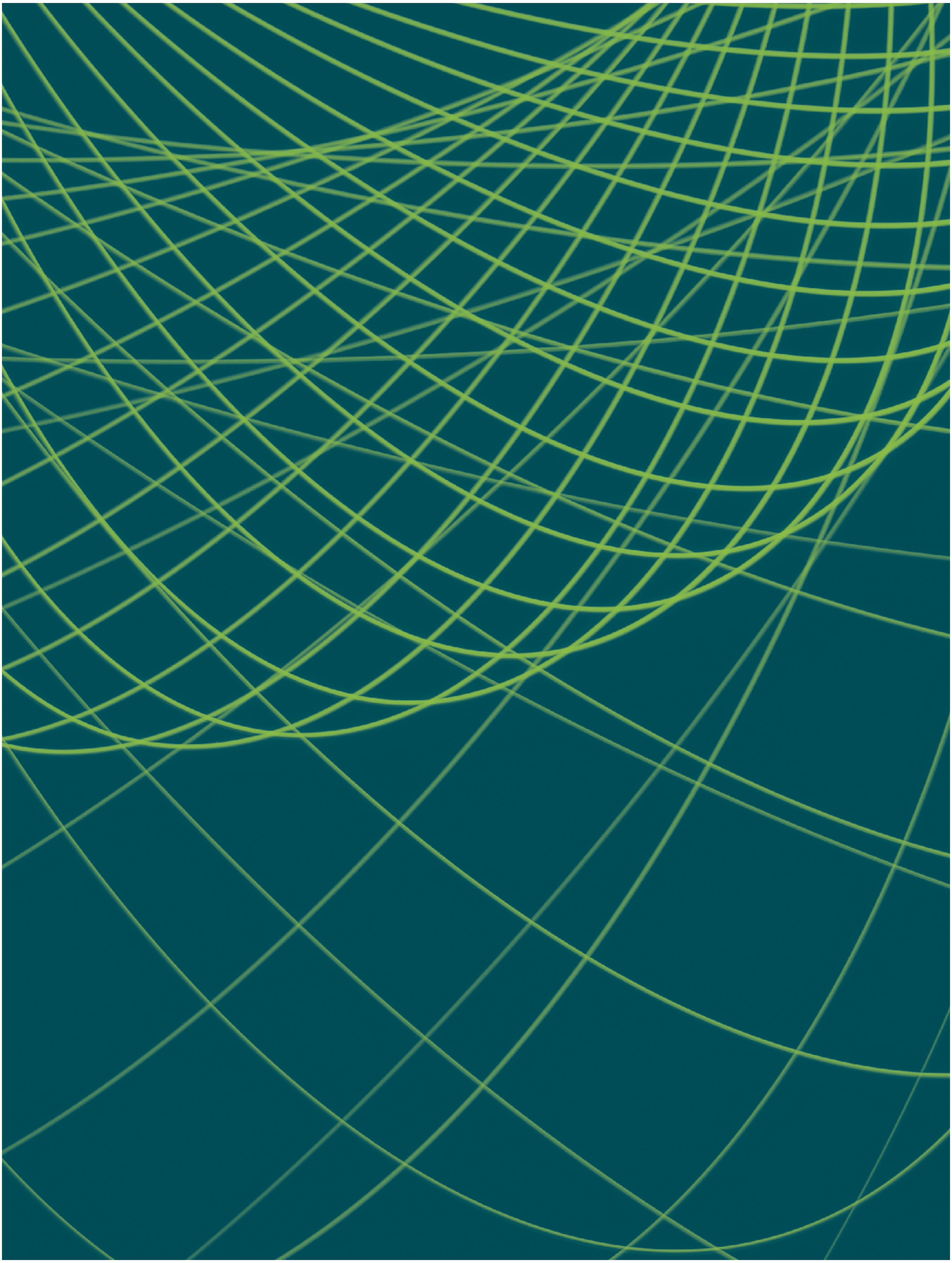
Remuneration Report 2018

Landis+Gyr
manage energy better



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Letter from the Chairman of the Remuneration Committee

Dear Shareholders,
On behalf of the Board of Directors and the Remuneration Committee, I am pleased to introduce Landis+Gyr's Remuneration Report for the financial year ended March 31, 2019.

The Remuneration Report explains our remuneration system and its governance, as well as how the performance results impacted the variable incentive payments to the Group Executive Management in their remuneration plans.

The focus of our activities in the past year has been on proactively assessing our remuneration systems and programs in context of a changing business environment and in alignment with the best interests of our shareholders. All remuneration proposals were approved at the Annual General Meeting in 2018, with some investors voicing feedback on certain components and disclosures in our 2017 Remuneration Report (approval vote 65.75%). This feedback was taken into consideration for our assessment and review of our remuneration programs. The major milestones and changes made in the past year were:

- **Dialogue:** A key focus of the Board and Remuneration Committee was to continue our exchange on remuneration plans with major shareholders and other stakeholders.
- **Board of Directors' Remuneration:** As already announced at the 2018 Annual General Meeting, we implemented the remuneration structure for the Board of Directors with payment of their base and committee fees in cash and blocked shares (previously only cash). This change took effect in July 2018 as of the start of the new term of office.
- **Executive remuneration:** A clawback policy for recovery of variable remuneration paid to members of the Group Executive Management was approved by the Board of Directors and implemented with effect from financial year 2018.
- **Short-term incentive plan:** Discussions within the Remuneration Committee and the Board of Directors during the past year further focused on the structure of our short-term incentive plan. Consideration was given to a potential future amendment of the performance metrics (which are currently based on financial performance indicators) to also include non-financial performance criteria related to Landis+Gyr's strategic focus. No changes to the current plan structure will be made for financial year 2019, however, the Remuneration Committee and the Board will continue to further evaluate this during the coming year.
- **Long-term incentive plan:** The reference group used for the relative total shareholder return component of Landis+Gyr's long-term incentive plan was reviewed during the past year and it was decided to replace the current SPI reference group with the SPI Industrials Index (SWX ID Industry TR Index). This change, taking effect as of the grants in financial year 2019, allows for more specific market and performance comparability. Furthermore, this year's Remuneration Report provides additional clarification on the termination arrangements affecting awards under the long-term incentive plan.

Further discussions within the Remuneration Committee and the Board focused on medium- to long-term evolution of remuneration at Landis+Gyr. For the coming year we expect to continue our focus on the structure of our variable incentive plans, particularly with respect to maintaining and further strengthening the strong link between pay and performance.

At the Annual General Meeting in June 2019, we will ask for your approval of the maximum aggregate remuneration amount to be awarded to the Board of Directors for the period to the next Annual General Meeting in 2020 and to the Group Executive Management for the financial year ending March 31, 2021. The proposed amount for the Group Executive Management is reduced compared to prior years, reflecting the new composition with four members compared to previously six members. In addition, you will again have the opportunity to express your opinion on our remuneration principles and systems through a consultative vote on the Remuneration Report.

We encourage and pursue open and regular dialogue with our shareholders and their representatives as we continue to evolve our remuneration system.

On behalf of the Board of Directors and the Remuneration Committee, I would like to thank you for your ongoing support.

Eric Elzvik
Chairman of the Remuneration Committee
and Lead Independent Director
Zug, May 2019

Remuneration Report 2018

The Remuneration Report provides a comprehensive overview of Landis+Gyr's (Landis+Gyr Group AG defined as the "Company", and its subsidiaries, together the "Group") remuneration governance and principles, structure and elements. The Remuneration Report also includes information on the remuneration awarded to members of the Board of Directors ("Board") and Group Executive Management ("GEM") for the financial year ended March 31, 2019 ("FY 2018").

The Remuneration Report is written in accordance with the Ordinance Against Excessive Compensation in Listed Companies ("Ordinance"), the standard relating to information on Corporate Governance of the SIX Swiss Exchange, and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

Remuneration governance and principles

Shareholder engagement
Under the Ordinance, shareholders of Swiss listed companies have significant influence on the remuneration of governing bodies and annually approve the maximum aggregate remuneration for the members of such governing bodies. In addition, the principles governing remuneration must be defined in a company's articles of association, which are also subject to shareholder approval.

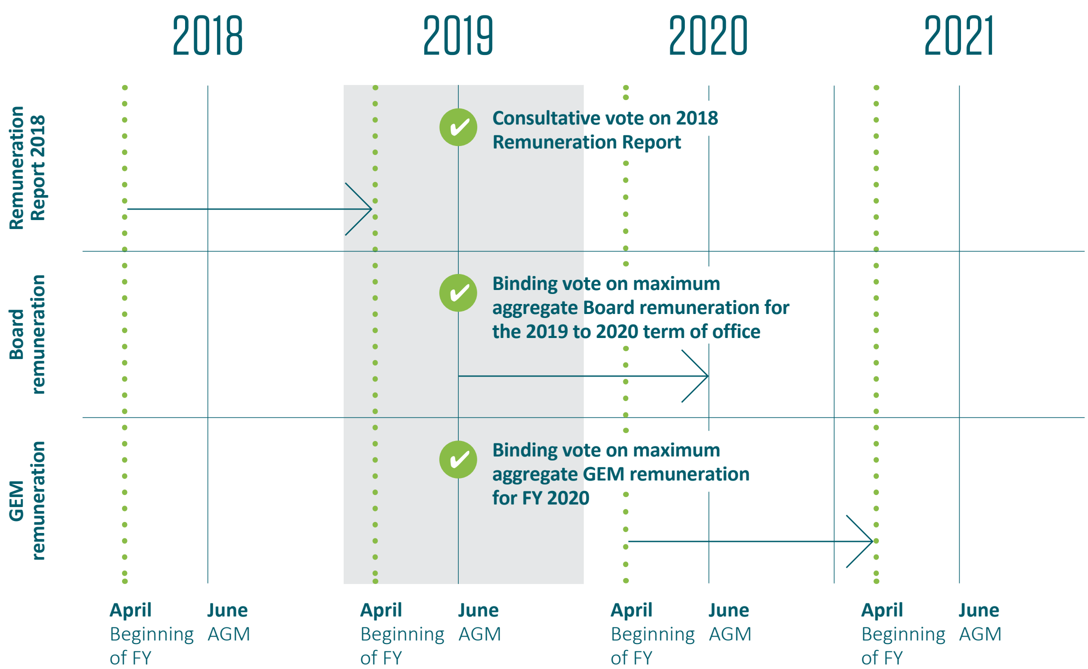
Landis+Gyr's Articles of Association include the principles governing remuneration (specifically Articles 12, 25, 26, 28 and 29) and can be viewed online at: www.landisgyr.com/about/executive-management-and-board/ ➝ Corporate Governance Documents ➝ Articles of Association. The key provisions are summarized below:

- **Votes on remuneration (Article 12):** Every year the Annual General Meeting ("AGM") votes separately and bindingly on the maximum aggregate remuneration of the Board for the term of office until the next AGM and on the maximum aggregate remuneration of the GEM (fixed and variable components) for the subsequent financial year.
- **Principles relating to the remuneration of the Board (Article 25) and the members of the GEM (Article 26):** The remuneration of the Board consists of a fixed base fee, fixed committee fees and a lump sum for expenses. The fees are awarded in cash and shares. The remuneration of the GEM consists of a fixed annual base salary and variable remuneration, which includes an annual short-term incentive paid in cash as well as a long-term incentive settled in shares, and other benefits.
- **Loans and credits (Article 28):** Loans and credits may not be granted to members of the Board or the GEM.
- **Additional amount for new members of the GEM (Article 29):** If the maximum aggregate remuneration already approved by the AGM is not sufficient to cover the remuneration for newly appointed or promoted members of the GEM in the respective financial year, the Company may pay an additional amount in each case up to 30% of the last maximum aggregate remuneration amount approved.

In line with the Company's Articles of Association, the Board will submit three separate remuneration-related resolutions for shareholder approval at the 2019 AGM as illustrated in Exhibit 1:

- This Remuneration Report (consultative vote).
- The maximum aggregate remuneration amount for the Board for the term of office from 2019 AGM to 2020 AGM (binding vote).
- The maximum aggregate remuneration amount for the GEM for the financial year starting April 1, 2020 and ending March 31, 2021 (binding vote).

EXHIBIT 1: SAY ON PAY – REMUNERATION-RELATED SHAREHOLDER APPROVALS



At the 2018 AGM held on June 28, 2018, shareholders approved a maximum aggregate remuneration amount for the Board for the term of office until the 2019 AGM of CHF 2.0 million, as well as the maximum aggregate amount of fixed and variable remuneration for members of the GEM for FY 2019 in the amount of CHF 11.5 million. In addition, shareholders approved the FY 2017 Remuneration Report in a consultative vote.

For a reconciliation of approved versus awarded amounts please refer to page 24.

Governance on remuneration matters

As outlined in Exhibit 2, the Remuneration Committee acts in an advisory capacity while the Board retains the decision authority on remuneration matters relating to the Board and GEM, except for the remuneration-related shareholder approvals for the Board and GEM.

Activities of the Remuneration Committee during FY 2018

The Remuneration Committee meets as often as business requires but at least four times a year. In FY 2018, the Remuneration Committee held five meetings and covered the topics described in Exhibit 3. Details on Remuneration Committee members and their meeting attendance are provided in the Corporate Governance Report on page 15.

EXHIBIT 2: GOVERNANCE ON REMUNERATION MATTERS

	CEO	Remuneration Committee	Board	AGM
Remuneration principles (Articles of Association)		Proposes	Reviews	Approves (binding vote)
Remuneration principles and system for the Board and GEM		Proposes	Approves	
Remuneration report		Proposes	Approves	Consultative vote
Maximum aggregate amount of remuneration for the Board		Proposes	Reviews	Approves (binding vote)
Individual remuneration of Board members		Proposes	Approves	
Maximum aggregate amount of remuneration for GEM		Proposes	Reviews	Approves (binding vote)
Remuneration of the Chief Executive Officer ("CEO")		Proposes	Approves	
Individual remuneration of other GEM members	Proposes	Reviews	Approves	

EXHIBIT 3: OVERVIEW OF THE MAIN TOPICS DISCUSSED BY THE REMUNERATION COMMITTEE DURING FY 2018

	Apr	Jun[1]	Oct	Dec	Feb
Remuneration governance and policy					
Review of remuneration principles, strategy and systems			X	X	
Preparation of AGM related reward items including maximum aggregate remuneration amounts for the Board and GEM to be submitted to AGM vote	X				X
Remuneration Report	X	X			X
Review of stakeholder feedback on remuneration disclosure			X		
Communication with major shareholders and their representatives					X
Remuneration Committee governance, meeting schedule and agenda setting			X		
Review of shareholding guidelines / current shareholdings of each member of the GEM				X	
Board remuneration					
Implementation of Board remuneration policy with payment structure in cash and shares	X				
GEM remuneration					
Review of benchmarking peer group and external benchmark for GEM remuneration				X	X
Review of GEM performance	X				
Review and recommendation of individual GEM remuneration levels					X
Review of short-term incentive performance target setting for upcoming year and performance and payouts for previous year	X	X			X
Review of long-term incentive performance target setting and individual target awards for upcoming performance period and performance and vesting for previous performance period	X				X
People & Talent					
Succession, diversity, engagement			X	X	X

1 additional meeting held in June 2018

The Chairman of the Remuneration Committee reports to the full Board after each meeting. The minutes of the meetings are made available to the members of the Board. The CEO and the Head of HR may attend the Remuneration Committee meetings in an advisory function but are excluded from certain discussions. The Chairman of the Remuneration Committee may decide to invite other executives to attend the meetings as appropriate. No member of management attends the meetings or the part of the meetings in which their own performance or remuneration is discussed. The Chairman of the Board generally attends the Remuneration Committee meetings as a non-voting guest, however, he is not present during meetings or parts thereof during which his own remuneration is discussed.

The Remuneration Committee may decide to consult an external advisor on specific remuneration matters. In FY 2018, HCM International AG ("HCM") was mandated as an independent advisor on Board and GEM remuneration matters. HCM also provided governance advisory services to the Board during FY 2018. HCM does not have any other mandates with Landis+Gyr.

Remuneration principles

Landis+Gyr's remuneration programs are designed to recognize and reward performance, enabling the organization to attract, motivate and retain talented employees who drive performance and the achievement of business strategy and objectives as well as the creation of shareholder value.

The remuneration programs within Landis+Gyr are periodically reviewed to ensure continued alignment with the Group's strategy and market practice and are built around the following principles:

Principle	Description
Performance	Anchor Landis+Gyr's business strategy, drive results and sharpen the focus on long-term performance and incentivize and reward performance in a sustainable manner
Shareholder value	Align with shareholders' interests, drive creation of shareholder value and foster entrepreneurial thinking
Talent management	Attract, motivate and retain talented employees who can drive world class performance, and who are incentivized based on such performance
Market orientation	Ensure a best practice remuneration system with competitive levels and structures, reflecting a sustainable balance between short-term and long-term performance focus

Determination of Board and GEM remuneration

In the context of the remuneration principles, the remuneration for the Board and GEM takes into account the roles and responsibilities, the respective experience required as well as current market pay practices. In addition, for the GEM, internal compensation structures as well as affordability are taken into account. Remuneration for the members of the Board is fixed and for the GEM includes variable components driven by Landis+Gyr's performance.

To support remuneration recommendations to the Board, the Remuneration Committee periodically benchmarks remuneration of the members of the Board and GEM against remuneration of comparable companies. For these purposes, the Remuneration Committee and the Board regard Swiss listed industrial companies as the most relevant reference group. In addition, because Landis+Gyr operates and competes for talent at a global level, international comparators represented by European and US companies from relevant traditional and innovation-driven industries are also considered in the assessment of remuneration practices, structure and pay levels for members of the GEM.

The composition of the reference groups for benchmarking is reviewed periodically as required. In the reporting year the Swiss comparison group[1] as well as the international comparators were reviewed and adjusted with regard to the respective size of the companies to allow for closer alignment with Landis+Gyr.

The outcomes of the benchmarking undertaken for the remuneration of the members of the GEM in FY 2018 were considered by the Remuneration Committee and the Board when discussing the total remuneration for FY 2019. For the members of the Board, the Remuneration Committee and Board decided to undertake the next benchmarking in FY 2019.

1 The Swiss comparison group used for the remuneration benchmarking analysis conducted in FY 2018, as compared to the comparison group used in FY 2017, was adjusted for company size to align more closely with Landis+Gyr. This resulted in the removal of both larger and smaller companies from the comparison group, which fall outside of the defined size parameters. The resulting adjusted comparison group referenced in FY 2018 consists of the following Swiss listed industrial companies: Implenia, Sulzer, Geberit, OC Oerlikon, Bucher, Dormakaba, SFS Group, Bobst Group, Conzzeta, Daetwyler, Arbonia, Flughafen Zuerich, Schweiter. This comparison group was used for benchmarking purposes as a primary source for the remuneration of the GEM members. Further international comparisons were taken into account following a structural approach to further reflect industry-specific remuneration particularities.

Remuneration system

Remuneration system of the Board

To ensure its independence in fulfilling its supervisory duties, the remuneration of the Board is fixed and does not contain any variable component.

The Chairman of the Board receives a fixed annual base fee of CHF 400,000 and a lump sum for expenses. Due to his previous long-standing employment relationship with Landis+Gyr, during which he was continuously covered under the collective pension scheme offered by Landis+Gyr in Switzerland in accordance with Swiss pension regulations, the pension cover was subsequently continued under the terms of his directorship with the Company, under the provision that all contributions, including the employer portion, are to be funded by the Chairman himself. This ensures that the Company does not incur costs for pension fund contributions in addition to the Chairman's fixed base fee of CHF 400,000. The actual base fee payment to the Chairman is therefore reduced by the amount remitted by the Company into the pension scheme representing the employer pension contributions. To the extent that these contributions change, based on the regulations of the pension scheme, the base fee payment is adjusted accordingly. Correspondingly, as there was an increase to the employer contributions remitted by the Company, the base fee paid to the Chairman in FY 2018 in the amount of CHF 362,696 was lower than the full-year equivalent amount of CHF 372,000 in FY 2017 (amount paid and reported for FY 2017 was pro-rata).

Other members of the Board receive a fixed annual base fee and fixed fees for membership in Board committees, as well as a lump sum for expenses.

The amounts of the base fee and committee membership fees, as illustrated in Exhibit 4, reflect the responsibility and time requirement inherent to the function and remained the same in FY 2018 compared to FY 2017. As of the term of office from 2018 AGM to 2019 AGM, the base fee and committee membership fee are paid 65% in cash and 35% in Company shares, which are blocked for sale for a period of three years from the date of grant. The cash portion of the base fee and committee membership fee is paid monthly; the share portion is granted in four quarterly instalments (first grant in July 2018), with each instalment blocked for three years from the date of its grant. In the event of a change of control, the blocking period on the shares will be lifted.

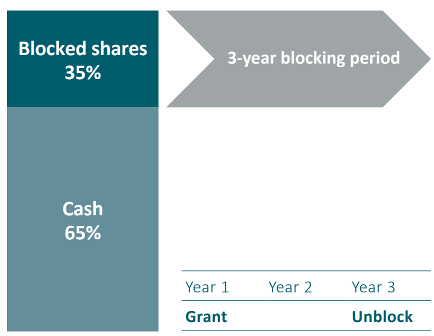
EXHIBIT 4: REMUNERATION SYSTEM OF THE BOARD, IN CHF

Fixed remuneration

Base fee [1]		
Chairman[2]	400,000	Annualized FY 2017: 372,000 Actual FY 2018: 362,696
Lead Independent Director	230,000	
Member	120,000	

Committee fee [1]	Chair	Member
Audit Committee	30,000	15,000
Remuneration Committee	30,000	15,000

Pay Mix



1 There has been no change to base fee and committee fee amounts in FY 2018 compared to FY 2017
2 The base fee for the Chairman is CHF 400,000 (no change compared to FY 2017), however, CHF 37,304 were deducted as the Chairman is financing the entire cost of the pension cover himself, including the Company contribution, by way of a reduction to the base fee. The pension contribution increased in FY 2018 compared to FY 2017. In addition, in FY 2017 the base fee paid to the Chairman was pro-rated for the services rendered from July 19, 2017 to March 31, 2018. The split of the base fee into 65% cash and 35% shares (as of July 2018) is applied to the base fee after the deduction of the Company pension contributions.

Remuneration system of the Group Executive Management

The remuneration elements of the GEM are summarized in Exhibit 5.

EXHIBIT 5: REMUNERATION SYSTEM OF THE GEM

	FIXED REMUNERATION		VARIABLE REMUNERATION	
	Base salary	**Pension and Other Benefits**	**Short-Term Incentive Plan**	**Long-Term Incentive Plan**
Purpose	Attract and retain	Risk protection, market competitiveness	Focus on Landis+Gyr's one-year operational and financial performance	Participate in the long-term success of Landis+Gyr and align with shareholders' interests
Performance period	–	–	1 year	3 years
Key drivers	Role, experience and individual performance	Market practice, legal requirements	Group and (if relevant) regional performance	Group long-term performance
Instrument/settlement	Cash	Pension and insurance plans, other benefits	Cash	Performance Stock Units settled in shares
Performance KPIs	Individual performance	–	Net Sales, adjusted EBITDA[1], operating Cash Flow less tax paid	Equally weighted relative Total Shareholder Return and Earnings Per Share
Target incentive amount	–	–	Individually defined target amounts based on respective role and in alignment with market; up to no more than the equivalent of 80% of base salary	Individually defined target amounts based on respective role and in alignment with market; however, cannot exceed the equivalent of 80% of base salary; converted into PSUs at grant
Payout range	–	–	0% to 200% of target incentive amount; in addition, payout respective to each KPI is capped at 200%	0% to 200% of number of granted PSUs
Impact of share-price on payout value	–	–	NO	YES
Forfeiture provisions	–	–	YES	YES
Clawback provisions	–	–	YES	YES

1 Consolidated global L+G Group EBITDA derived from US GAAP financial statements as adjusted for restructuring expenses, exceptional X2 related warranty costs, timing difference on FX derivatives and special items, all as shown in our H1 and full year financial reporting as Adjusted EBITDA with the exception of the warranty normalization items.

Base Salary
Base salary is the fixed remuneration paid to employees for carrying out their role and is established considering the following factors:
– scope and responsibilities of the role, as well as qualifications and experience required to perform the role,
– market value of the role in the location in which Landis+Gyr competes for talent,
– skills and expertise of the individual in the role, and
– individual performance.

The base salary is paid out to GEM members in twelve equal monthly cash instalments.

Pension benefits
The purpose of pension benefits is to provide security for employees and their dependents in the event of retirement, sickness, inability to work and death. The GEM members participate in the social insurance and pension plans in the countries where their employment contracts were entered into. The plans vary according to local market practice and legislation; at a minimum they reflect the statutory requirements of the respective countries.

Other benefits
In addition, Landis+Gyr aims to provide a competitive package of employee benefits. Benefits are considered from a global perspective, while appropriately reflecting differing local market practice and employment conditions.

For the GEM members, benefits include local market benefits such as company car and, where relevant, international benefits such as executive benefits allowance, tax advisory services, etc. The monetary value of these remuneration elements is evaluated at fair value and is disclosed in the remuneration table.

Short-Term Incentive Plan ("STIP")
The STIP is an annual cash incentive plan. The purpose of the STIP is to motivate eligible participants to deliver effective performance and increased contribution towards Landis+Gyr's success.

Plan participants at Group and regional level are incentivized based on the achievement of financial performance targets, which are determined by the Board at the beginning of each financial year and correlate with the mid-term plan and long-term strategy and are aligned with business priorities, with the aim of achieving sustainable profitability and growth in alignment with shareholders' interests. These targets represent commercially sensitive information and are therefore not disclosed. Information on realized payout for FY 2018 is provided on page 19.

Payouts under the STIP are calculated based on the achievement level of the respective financial performance targets, with 100% achievement resulting in 100% payout. For each financial performance target, minimum threshold performance levels, below which there is no payout, as well as maximum performance levels, at which payout is capped at 200%, apply. Linear interpolation is used to calculate the performance achievement between threshold, target and maximum. Total payout under the STIP can range from 0% to 200% of the target incentive amount. For FY 2018, the individual target incentive amount for the CEO corresponds to approximately 75% of base salary and for the other members of the GEM on average to 65% of base salary. The maximum payout amount for the CEO is equivalent to approximately 150% of base salary and for other members of the GEM on average to 130% of base salary.

In case of termination of employment during the performance period, the STIP payout may be reduced or forfeited depending on the conditions of such termination and subject to applicable law.

For FY 2018, the STIP scorecard comprised Sales, Profit and Cash Flow financial performance targets referred to as Key Performance Indicators ("KPIs"), as detailed in Exhibit 6.

EXHIBIT 6: STIP PERFORMANCE SCORECARD FOR THE GEM MEMBERS FOR FY 2018

Topic	KPI	Weight FY 2018
Sales	Net Sales	30%
Profit	Adjusted EBITDA[1]	40%
Cash Flow	Operating Cash Flow less tax paid	30%

1 Consolidated global L+G Group EBITDA derived from US GAAP financial statements as adjusted for restructuring expenses, exceptional X2 related warranty costs, timing difference on FX derivatives and special items, all as shown in our H1 and full year financial reporting as Adjusted EBITDA with the exception of the warranty normalization items.

For the CEO, CSO and CFO, 100% Group results are considered when determining the level of performance of these KPIs. For GEM members with regional responsibility, 30% Group results and 70% regional results of the respective region are evaluated.

Long-Term Incentive Plan ("LTIP")

The first grant under the current LTIP, which is a share-based incentive plan measured over a three-year performance period, was made in FY 2018 with the purpose of fostering long-term value creation for the Group by providing the members of the GEM and other eligible key managers with the possibility:

– to become shareholders or to increase their shareholding in the Company,
– to participate in the future long-term success of Landis+Gyr, and
– to further align the long-term interests of the plan participants with those of the shareholders.

The individual grant levels under the LTIP are determined based on the role and responsibilities, taking into account external market levels, and cannot exceed the equivalent of 80% of participants' base salaries in any year. In FY 2018, the individual award amount at grant for the CEO corresponds to approximately 50% of base salary and for other members of the GEM represents on average 42% of base salary. Awards under the LTIP are a contingent entitlement, granted in the form of Performance Stock Units ("PSUs"), to receive Landis+Gyr shares provided certain performance targets are achieved during the three-year performance period (see Exhibit 7). In case the performance does not reach certain pre-determined thresholds after three years, no PSUs of Landis+Gyr will vest under the LTIP.

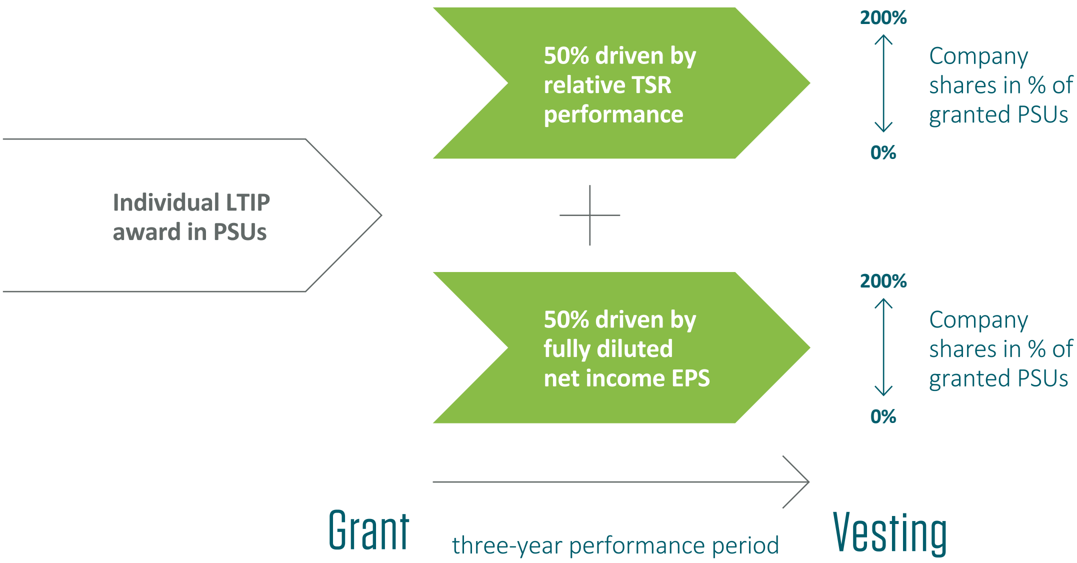
For the purpose of the LTIP, the measurement of Landis+Gyr's long-term performance comprises two equally weighted KPIs:

– 50% of the award is linked to the Total Shareholder Return ("TSR") measured over three years relative to the Swiss Performance Index ("SPI"), and
– 50% of the award is linked to the achievement of the fully diluted net income Earnings per Share ("EPS") target set by the Board at the beginning of each three-year LTIP award cycle.

During the course of FY 2018, the Remuneration Committee reviewed the reference group for the relative TSR measurement and made a recommendation to the Board to replace the current SPI with the SPI Industrials Index[1] as the reference group. This change takes effect as of the grants in FY 2019.

1 SPI Industrials Index is the SWX ID Industry TR Index

EXHIBIT 7: VESTING UNDER THE LTIP



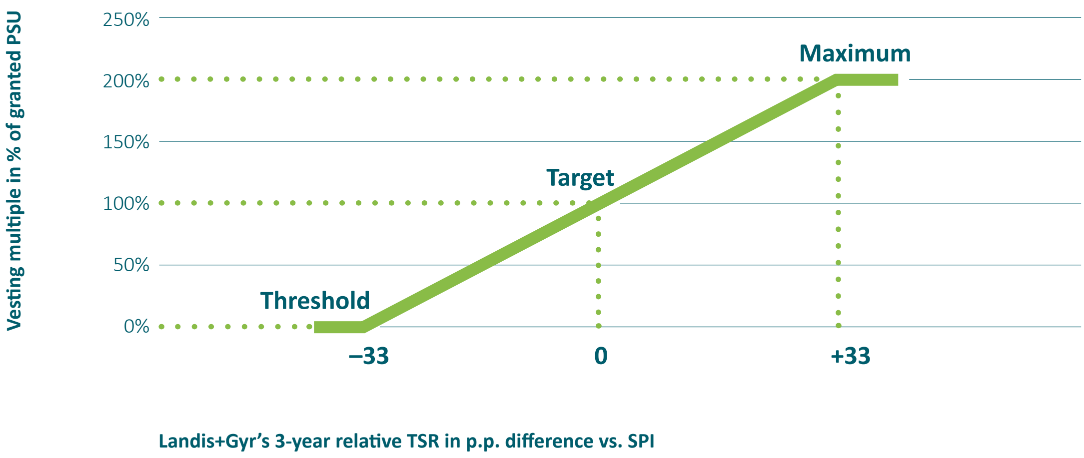
The relative TSR is calculated considering not only the variations of the closing price over the three-year performance period but also the dividends distributed in the same period, assuming that those dividends are reinvested at the time of the distribution in the shares of Landis+Gyr.

For the FY 2018 grant, 100% of the PSUs linked to the relative TSR performance will vest following the 3-year performance period, if the Landis+Gyr TSR is equivalent to the SPI TSR. The maximum vesting multiple of 200% applies if the Landis+Gyr TSR is 33 or more percentage points above the SPI TSR. The vesting multiple of 0% applies, should the Landis+Gyr TSR be 33 or more percentage points below the SPI TSR. Linear interpolation applies between the threshold, target and maximum performance levels.

Additionally, if Landis+Gyr's absolute TSR attributable to the relevant three-year performance period is negative, the relative TSR vesting multiple will be set at zero regardless of Landis+Gyr's performance relative to the SPI.

Exhibit 8 represents an illustration of the relative TSR vesting curve for the FY 2018 grant.

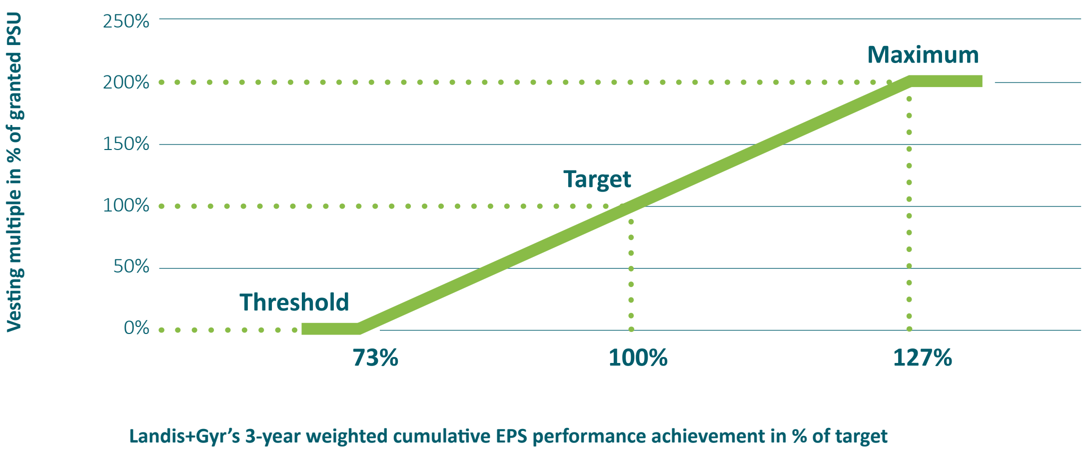
EXHIBIT 8: VESTING CURVE 3-YEAR RELATIVE TSR FOR FY 2018 GRANT



The three-year fully diluted net income EPS is calculated as the weighted sum of the reported net income fully diluted EPS attributable to shareholders for the financial years covered by the respective 3-year performance period. In order to give more weight to the EPS achieved in the later years of the performance period, the EPS of each year is weighted as follows: The first financial year is weighted at 1/6, the second financial year at 2/6 and the third financial year at 3/6.

Threshold and maximum performance levels apply; if the weighted cumulative EPS target is reached, 100% of the respective PSUs granted under the EPS KPI will vest. If the weighted cumulative EPS performance is at or above the maximum performance level, 200% of respective granted PSUs will vest. If the weighted cumulative EPS performance is at or below the threshold performance level, 0% of PSUs granted under the EPS KPI will vest. Linear interpolation applies between the threshold, target and maximum performance levels. Exhibit 9 represents an illustration of the weighted cumulative EPS vesting curve for the FY 2018 grant.

EXHIBIT 9: VESTING CURVE 3-YEAR WEIGHTED CUMULATIVE EPS FOR FY 2018 GRANT



Actual EPS targets are considered commercially sensitive information and communicating such targets would allow insight into the strategy of Landis+Gyr and may create a competitive disadvantage for the Company. Consequently, the decision was made not to disclose the specifics of those targets at the time of their setting, but to explain in more detail the process applied in setting EPS targets, and to subsequently disclose the target achievement at the end of the respective period, i.e. with the reporting for FY 2020.

EPS targets for each grant are set by the Board following a thorough outside-in approach conducted by the Remuneration Committee's independent external advisor. Investors' return expectations on market value, stock risk profile, investment projections and current profitability levels were taken as a starting point and translated into EPS targets, using multifactor valuation models and statistical analyses in order to establish an appropriate link between LTIP payouts and the value created for investors. The results of the outside-in approach were assessed against historical company performance, as well as equity analysts' expectations and strategic plan as suggested by management, to reinforce the Remuneration Committee's and Board's confidence in the overall quality and robustness of the EPS targets.

At the end of the vesting period, based on actual performance achieved, PSUs will be settled in ordinary shares of Landis+Gyr, however, subject to forfeiture rules in case of termination of employment before the end of the plan cycle as summarized in Exhibit 10.

EXHIBIT 10: SUMMARY OF LTIP FORFEITURE PROVISIONS

Termination reason	Vesting Provisions	Early vesting	Vesting level
Death and disability	Pro-rata vesting	Yes	At target
Retirement	Pro-rata vesting	No	Based on actual performance
Termination without cause	Pro-rata vesting	No	Based on actual performance
Other termination reasons	Full forfeiture	n/a	n/a

In addition, in the event of a change of control, early vesting on a pro-rata basis at target, i.e. without consideration of performance, applies.

Previous LTIP (until FY 2017)

The pre-IPO LTIP was a cash-based plan under which grants vested over a three-year period subject to meeting performance and service conditions (except with regard to the LTIP grants for FY 2017 for the CEO and CFO which are subject to meeting performance criteria only). This LTIP was discontinued as of the IPO event, with the last grants made in FY 2017 (prior to the IPO), which will vest after three years at the end of FY 2019. The realized payout from the grant made in FY 2016, which vested at the end of FY 2018, corresponds to 95.0% of the originally granted target amounts.

Clawback of variable remuneration

Effective as of FY 2018, clawback provisions have been implemented with regard to the variable remuneration plans. These allow for partial or full recovery of performance-based cash or equity paid or vested to members of the GEM during the previous three financial years (but not earlier than FY 2018). These provisions apply in cases where the Company is required to make a material restatement to its accounts (due to fraud or error) as well as in the event of fraud, gross negligence or wilful misconduct, any serious breach of Landis+Gyr's code of business ethics and conduct or in the event of actions that caused serious reputational harm to the Company.

Employment conditions

The members of the GEM are employed under employment contracts of unlimited duration with a notice period up to a maximum of twelve months. GEM members are not contractually entitled to termination payments or any change of control provisions other than the early vesting of LTIP awards as mentioned above. Employment contracts for GEM members include non-competition agreements not exceeding a period of twelve months following end of employment.

Remuneration awarded to members of governing bodies

The section below is in line with Swiss law and specifically with Arts. 14 to 16 of the Ordinance which requires disclosure of remuneration granted to members of the Board and GEM. Remuneration paid to members of the Board and to the highest paid member of the GEM is shown separately.

Remuneration awarded to the Board for FY 2018

Explanatory comments

Exhibit 11 summarizes remuneration paid for FY 2018 to the six non-executive Board members who were re-elected at the 2018 AGM, as well as the two Board members newly elected at the same time, and reflects remuneration paid for the full FY 2018. Exhibit 12 summarizes remuneration paid for FY 2017 to the six non-executive Board members who were elected in connection with the IPO at the 2017 Extraordinary General Meeting ("EGM") on July 19, 2017, and reflects remuneration paid for the period from the EGM until March 31, 2018. From April 1, 2017 to the EGM the Board comprised employees of two pre-IPO shareholders of Landis+Gyr, Toshiba Corporation and Innovation Network Corporation of Japan.

In FY 2018 the Board received total remuneration of CHF 1,561,971 (FY 2017 for partial year: CHF 965,057).

On an annualized basis there was no change to individual fee levels. Total remuneration in FY 2018 increased compared to FY 2017 due to the different composition of the Board with the election of two new members at the 2018 AGM. Further, as explained above, the remuneration disclosed for FY 2018 represents the full year, whereas for FY 2017 only the partial year as of the EGM. The payment in shares was introduced following 2018 AGM.

Remuneration of the Board (audited)

Remuneration of the Board, including the Chairman, did not change in FY 2018 compared to FY 2017, but the reporting table (Exhibit 11) is amended to better reflect practice. No changes have been made to the reporting table for FY 2017 (Exhibit 12).

EXHIBIT 11: REMUNERATION OF MEMBERS OF THE BOARD FOR FY 2018[1] (AUDITED), IN CHF

Non-executive Board members	Role in the Board	Base fees paid in cash	Committee fees paid in cash	Base and commit-tee fees delivered in shares[2]	Pension fund contri-bution[3]	Total fees (cash and shares)	Expenses	Employer Social Security Contribu-tions	Total remu-neration
Andreas Umbach	Chairman	267,408		95,288	37,304	400,000	20,000	24,993	444,993
Eric Elzvik	Lead Independent director	169,625	33,187	72,188		275,000	10,000	20,262	305,262
David Geary	Independent Member	88,500	11,062	35,438		135,000	10,000		145,000
Pierre-Alain Graf	Independent Member	88,500	11,062	35,438		135,000	10,000	10,285	155,285
Andreas Spreiter	Independent Member	88,500	22,125	39,375		150,000	10,000	11,431	171,431
Christina Stercken	Independent Member	88,500	11,062	35,438		135,000	10,000		145,000
Mary Kipp[4]	Independent Member	58,500		31,500		90,000	7,500		97,500
Peter Mainz[4]	Independent Member	58,500		31,500		90,000	7,500		97,500
Total Board of Directors		**908,033**	**88,498**	**376,165**	**37,304**	**1,410,000**	**85,000**	**66,971**	**1,561,971**

1 Represents gross amounts, prior to deductions for social security, withholding tax, etc. for services rendered from April 1, 2018 until March 31, 2019 (with exception of two newly elected Board members as per footnote 4 below).
2 Granted in quarterly instalments (first grant in July 2018); fair value is defined using the volume weighted average share price for the last 20 trading days of the month preceding the month of the respective quarterly grant.
3 Employer pension contribution funded by the Chairman through a reduction to base fee paid.
4 Amounts reflect the period in office since election at the 2018 AGM from July 1, 2018 until March 31, 2019.

EXHIBIT 12: REMUNERATION OF MEMBERS OF THE BOARD FOR FY 2017[1] (AUDITED), IN CHF

Non-executive Board members	Role in the Board	Base fees	Committee fees	Expenses	Pension fund contribution[2]	Employer Social Security Contributions	Total remuneration
Andreas Umbach	Chairman	261,000		14,032	22,084	20,666	317,782
Eric Elzvik	Lead independent director	161,371	31,573	7,016		14,393	214,353
David Geary	Independent Member	84,194	10,524	7,016			101,734
Pierre-Alain Graf	Independent Member	84,194	10,524	7,016		7,328	109,062
Andreas Spreiter	Independent Member	84,194	21,048	7,016		8,134	120,392
Christina Stercken	Independent Member	84,194	10,524	7,016			101,734
Total Board of Directors		**759,147**	**84,193**	**49,112**	**22,084**	**50,521**	**965,057**

1 Represents gross amounts, prior to deductions for social security, withholding tax, etc. for services rendered from July 19, 2017 until March 31, 2018.
2 Employer pension contribution.

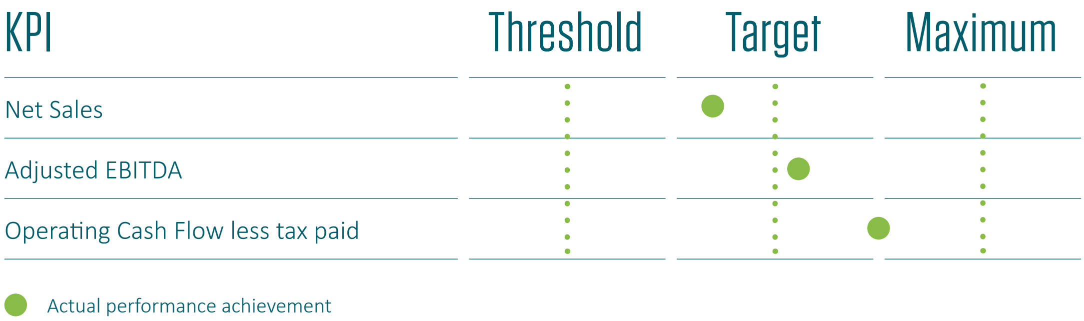
Mr. Umbach's employment contract and any related agreements with Landis+Gyr AG and any other Group entity were terminated upon his election as Chairman (July 19, 2017) and replaced with a new chairman agreement. For services rendered as executive Chairman of Landis+Gyr AG from April 1, 2017 until the election as Chairman, Mr. Umbach was paid a base salary of CHF 258,523 (incl. employer social security and pension costs). As disclosed at the IPO, any unpaid remuneration and other claims from previous and now replaced agreements, including long-term incentives and related awards, were forfeited against net payment of CHF 2.6 million (i.e. CHF 2.96 million incl. social security contribution) by Landis+Gyr AG in full discharge of such liabilities. Under the agreement, Mr. Umbach used this amount to buy Landis+Gyr shares at the IPO price of CHF 78, which, together with the shares he received under the IPO recognition bonus funded by selling shareholders, are subject to a staggered lock-up period of two years. In conjunction with the IPO recognition bonus (granted and funded by the selling shareholders), Mr. Umbach received 17,143 shares valued at a grant date fair value of CHF 1.34 million based on the IPO listing price of CHF 78 and CHF 668,571 in cash. Social security of CHF 137,449 was paid by the employer in conjunction with the recognition bonus.

Remuneration awarded to the GEM for FY 2018

Performance assessment and explanatory comments
For FY 2018, the members of the GEM received base salary, variable remuneration and pension and other benefits, in line with the remuneration system, as detailed in Exhibit 5.

For the Group as a whole FY 2018 results, as illustrated in Exhibit 13 below, were ahead of targets with regards to Adjusted EBITDA and Operating Cash Flow less tax paid, but behind on Net Sales. For the regions there was a similar picture with Adjusted EBITDA and Operating Cash Flow close to or above targets in each of the regions but shortfalls on Net Sales.

EXHIBIT 13: PERFORMANCE AT GROUP LEVEL FY 2018



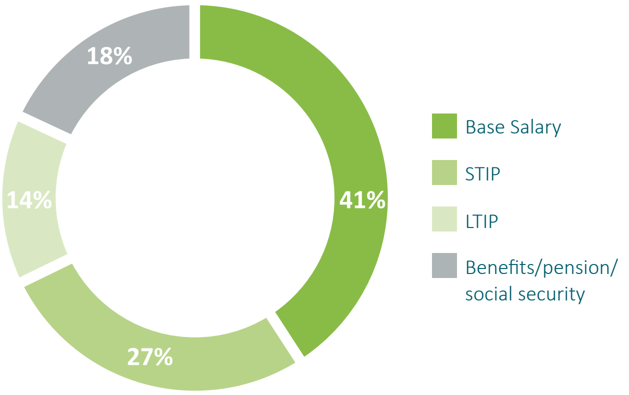
This resulted in an overall payout of 111.5% of the STIP target incentive amount for the CEO (FY 2017: 98.6%) and 92.7%–111.5% of the STIP target incentive amounts for other members of the GEM (FY 2017: 33.2%–145.4%).

In FY 2018, GEM members received total remuneration of CHF 7,252,822 (FY 2017: CHF 7,644,626). This is an overall decrease of 5% compared to previous year. The following explanatory comments can be given:

- **Composition of the GEM:** Susanne Seitz joined in November 2018, replacing Oliver Iltisberger who left the company at the end of June 2018; their respective remuneration for the year has been included accordingly. Neither received a LTIP grant in FY 2018. Susanne Seitz will participate in the LTIP as of FY 2019. Further, Roger Amhof and Ellie Doyle ceased serving as active members of the GEM during FY 2018 and are both contractually entitled to a twelve months' notice period. Their remuneration paid during the notice period in FY 2018 has been fully included in the remuneration disclosed for FY 2018; the remuneration to be awarded for the remainder of their respective notice periods will be disclosed in the Remuneration Report for FY 2019.
- **Base salary:** The variance in base salary is due to the changes of the GEM composition during the year, as mentioned above. Base salaries were not increased for any members of the GEM in FY 2018.
- **STIP:** The overall higher payouts under the STIP in FY 2018 vs. FY 2017 are due to the achieved performance levels as described above. There was no change to the STIP target incentive amounts for any member of the GEM in FY 2018. In addition, there is a variation in amounts compared to FY 2017 due to the changes to the composition of the GEM as described above.
- **LTIP:** There was no change to the LTIP target amounts for any members of the GEM in FY 2018. The difference in the LTIP grant amounts disclosed in FY 2018 compared to FY 2017 is due to the different composition of the GEM as explained above. A further minimal variation in LTIP award valuation is due to the first grant in FY 2018 under the new equity-based plan, whereas the grant made in FY 2017 was under the old cash-based LTIP. The first vesting under the new equity-based LTIP will be following the end of FY 2020.

As illustrated in Exhibit 14, for FY 2018 the total variable remuneration, i.e. STIP and LTIP, for the GEM represents 41% of total remuneration received. The CEO's total variable remuneration represents 48% of total remuneration and for other members of the GEM on average 40%. This puts a material portion of the GEM's remuneration at risk in alignment with shareholders' interests.

EXHIBIT 14: GEM PAY COMPOSITION FY 2018



Remuneration of the GEM (audited)

EXHIBIT 15: REMUNERATION OF GROUP EXECUTIVE MANAGEMENT MEMBERS FOR FY 2018[1] (AUDITED), IN CHF

Remuneration elements	Members of the GEM[2]	Highest remuneration Richard Mora, CEO
Base salary	2,976,225	800,000[6]
Short-term incentive in cash[3]	1,958,508	662,535
Fair value at grant under the LTIP[4]	1,015,650	335,183
Other benefits[5]	820,125	220,319
Pension costs	210,137	11,282
Employer Social Security Contributions	272,177	37,871
Total remuneration	**7,252,822**	**2,067,190**

1 Represents gross amounts paid, prior to deductions for social security, withholding tax, etc. for services rendered from April 1, 2018 until March 31, 2019.
2 Reflects remuneration of seven members of the GEM for FY 2018, including pro-rated remuneration to one newly appointed member (for the period November 19, 2018 to March 31, 2019), as well as pro-rated remuneration for the period April 1, 2018 to June 30, 2018 to one member whose employment ended June 30, 2018
3 Payable in FY 2019 for FY 2018.
4 Disclosure reflects awards for the reporting year, that is, fair value at grant for FY 2018. The LTIP value at vesting may vary based on performance outcomes and respective share price at the time of vesting. Resulting employer social security contributions (and tax equalization related costs for expatriates) will be reflected at the time of settlement of the LTIP.
5 Includes car benefits, allowances, tax advisory services, tax equalization for expatriates, employer contribution to 409a, etc.
6 Paid in USD.

EXHIBIT 16: REMUNERATION OF GROUP EXECUTIVE MANAGEMENT MEMBERS FOR FY 2017[1] (AUDITED), IN CHF

Compensation elements	Members of the GEM[2]	Highest remuneration Richard Mora, CEO
Base salary	3,105,343	800,000[6]
Short-term incentive in cash[3]	1,833,017	579,756
Fair value at grant under the LTIP[4]	1,351,609	391,992
Other benefits[5]	831,425	321,669
Pension costs	231,330	11,960
Employer Social Security Contributions	291,902	42,946
Total compensation	**7,644,626**	**2,148,323**

1 Represents gross amounts paid, prior to deductions for social security, withholding tax, etc. for services rendered from April 1, 2017 until March 31, 2018.
2 Six members of the GEM for FY 2017.
3 Payable in FY 2018 for FY 2017.
4 Disclosure reflects awards for a reporting year, that is, grant value for FY 2017. The LTIP value at vesting may vary based on performance outcomes. Resulting employer social security contributions (and tax equalization for expatriates) will be reflected at the time of settlement of the LTIP.
5 Includes car leasing, allowances, tax advisory, tax equalization for expatriates, employer contribution to 409a, etc.
6 Paid in USD.

In addition, as disclosed at the IPO, the selling shareholders (Toshiba Corporation and Innovation Network Corporation of Japan) had decided to grant and fund an additional bonus in connection with the IPO to selected members of senior management in recognition of their efforts and to provide them with an equity stake in the Company to support its long-term performance. This selling shareholder-funded recognition bonus was conditional upon the completion of the offering and the acceptance of the lock-up undertaking. It comprised a share portion (approx. 2/3, subject to a staggered lock-up period of up to two years) and a cash portion (approx. 1/3). In total the recognition bonus granted to the members of the GEM consisted of 50,775 shares (thereof 16,000 shares for the CEO) valued at a grant date fair value of CHF 3.96 million (thereof CHF 1.248 million for the CEO) based on the IPO listing price of CHF 78 CHF and CHF 2.0 million in cash (thereof CHF 624,000 for the CEO). Social security (and for international employees' tax equalization) of CHF 545,474 were paid by the employer in conjunction with the recognition bonus (thereof CHF 331,600 for the CEO).

Holding of shares by members of the Board and the GEM (Audited)

The members of the Board and GEM, including two former members who ceased to be active during the year, (including related parties) hold a total participation of 0.56% of the outstanding registered shares as of March 31, 2019 (0.57% as of March 31, 2018). This participation includes registered shares purchased as well as fully vested shares allocated in connection with the remuneration schemes and, for members of the Board, shares allocated in payment of part of their fees. However, unvested PSUs are not included.

EXHIBIT 17: SHARES HELD BY MEMBERS OF THE BOARD (AUDITED)

	Role	Shares held as at March 31, 2019	Shares held as at March 31, 2018
Andreas Umbach	Chairman	67,999	66,501
Eric Elzvik	Lead Independent Director	3,574	2,564
David Geary	Independent Member	558	0
Pierre-Alain Graf	Independent Member	942	385
Andreas Spreiter	Independent Member	7,030	6,410
Christina Stercken	Independent Member	1,208	650
Mary Kipp[1]	Independent Member	495	n/a
Peter Mainz[1]	Independent Member	495	n/a

1 Newly appointed at 2018 AGM

EXHIBIT 18: SHARES HELD BY MEMBERS OF THE GEM (AUDITED)

	Role	Shares held as at March 31, 2019	Shares held as at March 31, 2018
Richard Mora	Chief Executive Officer (“CEO”)	41,641	41,641
Jonathan Elmer	Chief Financial Officer (“CFO”)	9,030	9,030
Roger Amhof[1]	Chief Strategy Officer (“CSO”)	6,425	6,425
Ellie Doyle[2]	Head of Asia Pacific	3,774	3,774
Oliver Iltisberger[3]	Head of EMEA	n/a	9,143
Prasanna Venkatesan	Head of Americas	22,072	21,372
Susanne Seitz[4]	Head of EMEA	0	n/a

1 Active member of the GEM until December 31, 2018
2 Active member of the GEM until October 31, 2018
3 Active member of the GEM until June 1, 2018; employment ended on June 30, 2018.
4 Member of the GEM as of November 19, 2018

In addition, as at March 31, 2019 members of the GEM held a total of 11,793 PSUs with respect to grants made under the LTIP. There were no PSUs held as at March 31, 2018.

Shareholding guidelines for the GEM members

Shareholding guidelines were introduced for GEM members in FY 2018, which are designed to increase the alignment of the interests of GEM members and shareholders. The target ownership levels are defined based on the role and correspond to:
- 300% of base salary for the position of CEO
- 200% of base salary for other GEM members

GEM members are expected to build up their shareholding to the targeted ownership levels within five years, from the introduction of the guidelines or appointment to the GEM respectively.

Loans granted to members of the Board or the GEM

In accordance with Article 28 of the Articles of Association, Landis+Gyr Group AG may not grant loans to members of the Board or the GEM.

Related-party transactions

Disclosure on remuneration for FY 2018 covers members of the Board and the GEM as indicated, and for both includes related parties to the extent applicable. Such related parties cover spouses, partners, children and other dependents or closely linked persons. In FY 2018 no remuneration was paid to any related party.

Remuneration to former members of governing bodies

During FY 2018 no payments were made to former members of the Board or the GEM or related parties.

Reconciliation of AGM remuneration resolutions

For the term to the 2019 AGM, the 2018 AGM approved a maximum aggregate remuneration amount for the Board of CHF 2.0 million (including social security costs). Exhibit 19 below shows the reconciliation between the remuneration that has been/will be paid for the respective term of office and the maximum aggregate amount approved by the shareholders.

The maximum aggregate amount, comprising fixed and variable remuneration, of the existing members of the GEM for FY 2018 approved by the 2017 EGM, is CHF 12.5 million (including social security costs, benefits, etc., but excluding variable remuneration from previous years). Exhibit 20 below shows the reconciliation between the remuneration paid to the GEM for FY 2018 and the maximum aggregate amount approved by the shareholders.

EXHIBIT 19: REMUNERATION APPROVED AND GRANTED FOR THE MEMBERS OF THE BOARD

	Total remuneration granted (paid/payable)	Maximum aggregate amount available	Status
2017 EGM[1] to 2018 AGM	CHF 1.3 million[2]	CHF 2.0 million	Approved (2017 EGM)
2018 AGM to 2019 AGM	CHF 1.6 million[3]	CHF 2.0 million	Approved (2018 AGM)
2019 AGM to 2020 AGM		CHF 2.0 million[4]	Proposed (2019 AGM)

1 EGM held on July 19, 2017
2 For 6 members of the Board
3 For 8 members of the Board; represents an estimate for the term of office from 2018 AGM to 2019 AGM; the final amount will be disclosed in the 2019 Remuneration Report.
4 For 9 members of the Board

EXHIBIT 20: REMUNERATION APPROVED AND GRANTED FOR THE MEMBERS OF THE GEM

	Total remuneration granted	Maximum aggregate amount available	Status
FY 2017	CHF 7.6 million	CHF 12.5 million	Approved (2017 EGM)
FY 2018	CHF 7.3 million	CHF 12.5 million	Approved (2017 EGM)
FY 2019		CHF 11.5 million	Approved (2018 AGM)
FY 2020		CHF 8.5 million[1]	Proposed (2019 AGM)

1 The amount requested for FY 2020 is for 4 members of the GEM, whereas the amounts requested for previous years were for 6 members of the GEM. In comparison to the amount requested for FY 2019, the amount requested for FY 2020 has increased somewhat on average per member. This increase is due to the different composition of the GEM.

Report of the statutory auditor
to the General Meeting of Landis+Gyr Group AG

We have audited the remuneration report of Landis+Gyr Group AG for the year ended 31 March 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections labeled 'audited' on pages 17 to 18 and pages 20-22 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Landis+Gyr Group AG for the year ended 31 March 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Rolf Johner	Claudia Muhlinghaus
Audit expert Auditor in charge	Audit expert

Zug, 28 May 2019

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Financial Report 2018

Landis+Gyr
manage energy better

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Financial Review of Landis+Gyr Group

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Overview

The following discussion of the financial condition and results of the operations of Landis+Gyr Group AG ("Landis+Gyr") and its subsidiaries (together, the "Company") should be read in conjunction with the Consolidated Financial Statements, which have been prepared in accordance with US GAAP, and the related notes thereto included in this Financial Review.

This Financial Report contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the "Supplemental Reconciliations and Definitions" section of this Financial Review.

The Company is the leading global provider of smart metering solutions helping utilities, energy retailers and energy consumers manage energy better. Building on over 120 years of industry experience, we enable our customers to manage their billing for revenue assurance, improve the efficiency of their networks, upgrade energy delivery infrastructures, reduce energy costs and contribute to a sustainable use of resources.

Traditional standalone metering products represent the historical core of the Company's offerings. However, over the last 10 to 15 years, many utilities have transitioned from using standalone, or non-smart, meters, which require on-site or one-way reading to report energy consumption, to modernized networks that deploy intelligent devices and two-way communications technologies for near real-time measurement, management and control of energy distribution and consumption, i.e., "smart metering". Smart metering technology serves, in turn, as an essential building block in the development of the Smart-Grid and smart communities where utilities are able to measure and control production, transmission and distribution of energy resources more efficiently through the use of communications technology. Increasingly, we are also seeing the adoption of grid edge technologies.

We provide our products, services and solutions in more than 70 countries around the world.

To best serve our customers, we have organized our business into three regional reportable segments: the Americas, EMEA and Asia Pacific.

- Americas comprises the United States, Canada, Central America, South America, Japan and certain other markets which adopt US standards. This segment reported 55.9% of our total revenue for the financial year 2018 (FY 2018; April 1, 2018 to March 31, 2019). We are a leading supplier of Advanced Metering Infrastructure ("AMI") communications networks and the leading supplier of smart electricity meters in North America. In addition, we are one of the leading suppliers of modern standalone and smart electric meters in South America.
- EMEA, which comprises Europe, the Middle East, South Africa and certain other markets adopting European standards, reported 35.8% of our total revenue for the financial year 2018. In EMEA, we are one of the leading providers of smart electricity meters and we are the leading supplier of smart ultrasonic gas meters.
- Asia Pacific comprises Australia, New Zealand, China, Hong Kong and India, while the balance is generated in Singapore and other markets in Asia. It reported 8.3% of our total revenue for the financial year 2018. In Asia Pacific (excluding China), we are one of the leading smart electricity meter providers.

Summary of Financial Information

RESULTS OF OPERATIONS

USD in millions, except per share data	2019	2018	2017	2016	2015
	FINANCIAL YEAR ENDED MARCH 31,				
Order Intake	2,079.0	1,574.4	1,325.5	1,998.7	1,309.0
Committed Backlog as of March 31,	2,603.1	2,389.0	2,491.4	2,887.9	2,482.0
Net revenue	**1,765.2**	**1,737.8**	**1,659.2**	**1,573.5**	**1,529.1**
Cost of revenue	1,188.8	1,227.7	1,117.0	1,087.7	1,040.8
Gross profit	**576.3**	**510.1**	**542.2**	**485.7**	**488.3**
Operating expenses (*)					
Research and development	156.8	163.8	162.8	148.3	151.6
Sales and marketing	95.4	104.9	104.7	99.7	100.0
General and administrative	130.9	161.6	186.2	146.2	165.3
Amortization of intangible assets	34.9	35.7	35.1	42.4	41.9
Impairment of intangible assets	–	–	60.0	34.1	–
Operating income (loss)	**158.3**	**44.0**	**(6.6)**	**15.1**	**29.5**
Net interest and other finance expense	(7.9)	1.2	(25.0)	(16.9)	(21.6)
Non-operational pension (cost) credit (*)	4.1	3.8	1.4	0.8	2.0
Gain on divestments	14.6	–	–	–	–
Income (loss) before income tax expense	**169.0**	**49.0**	**(30.3)**	**(1.0)**	**9.8**
Income tax benefit (expense)	(42.1)	(2.2)	(31.8)	(12.5)	0.5
Net income (loss) before noncontrolling interests and equity method investments	**126.9**	**46.8**	**(62.1)**	**(13.5)**	**10.3**
Net loss from equity investments	(4.3)	–	–	–	–
Net income before noncontrolling interests	**122.6**	**46.8**	**(62.1)**	**(13.5)**	**10.3**
Net income attributable to noncontrolling interests, net of tax	0.4	0.4	0.5	0.2	–
Net income (loss) attributable to Landis+Gyr Group AG Shareholders	**122.2**	**46.4**	**(62.6)**	**(13.7)**	**10.3**
Earnings per share (basic and diluted)	4.15	1.57	(2.12)	(0.46)	0.35
Adjusted Gross Profit	609.3	597.3	620.2	601.9	562.3
Adjusted Operating Expenses	371.4	389.1	409.6	381.7	405.0
Adjusted EBITDA	**237.9**	**208.2**	**210.6**	**220.2**	**157.3**
Free Cash Flow (excluding M&A)	**123.5**	**87.5**	**53.1**	**84.6**	**96.3**

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, all pension income and expenses other than service costs are now reported under "Non-operational pension (cost) credit". Net income is unchanged. For comparison purposes, we applied the new standard retrospectively in the Consolidated Statements of Operations for the years ended March 31, 2018, 2017, 2016 and 2015 presented above.

SUMMARY CONSOLIDATED BALANCE SHEETS

USD in millions (*)	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
ASSETS					
Current assets					
Cash and cash equivalents	73.4	101.8	101.0	22.1	18.5
Accounts receivable, net	367.9	315.8	301.4	302.4	279.8
Inventories, net	133.7	121.4	115.7	117.0	121.5
Prepaid expenses and other current assets	54.8	50.4	44.4	136.7	125.6
Total current assets	**629.8**	**589.3**	**562.5**	**578.1**	**545.4**
Property, plant and equipment, net	142.1	164.4	188.8	199.8	220.6
Goodwill and other Intangible assets, net	1,686.1	1,743.3	1,786.6	1,895.6	1,981.2
Deferred tax assets	15.8	16.0	12.9	28.1	17.6
Other long-term assets	78.2	37.7	34.2	35.1	36.3
TOTAL ASSETS	**2,551.9**	**2,550.7**	**2,585.1**	**2,736.7**	**2,801.1**
LIABILITIES AND EQUITY					
Current liabilities					
Trade accounts payable	220.3	150.2	139.3	147.3	176.6
Accrued liabilities	31.2	40.0	37.0	45.2	50.2
Warranty provision – current	34.3	47.9	43.8	32.9	22.0
Payroll and benefits payable	66.8	65.2	76.6	73.9	66.4
Loans and current portion of shareholder loans	90.7	142.3	227.9	113.8	107.4
Other current liabilities	81.4	69.7	87.6	73.3	76.1
Total current liabilities	**524.7**	**515.2**	**612.2**	**486.4**	**498.7**
Shareholder loans	–	–	–	215.0	285.0
Warranty provision – non current	10.9	25.6	8.0	58.8	26.6
Pension and other employee liabilities	48.4	55.7	65.2	101.1	90.0
Deferred tax liabilities	37.3	32.5	55.0	95.1	99.1
Tax provision	29.2	25.5	28.7	21.1	15.5
Other long-term liabilities	68.0	88.1	83.5	29.4	31.0
Total liabilities	**718.6**	**742.7**	**852.5**	**1,006.8**	**1,045.9**
Shareholders' equity					
Total Landis+Gyr Group AG shareholders' equity	**1,830.7**	**1,804.6**	**1,730.1**	**1,728.0**	**1,753.2**
Noncontrolling interests	2.7	3.4	2.6	1.8	2.0
Total shareholders' equity	**1,833.4**	**1,808.0**	**1,732.6**	**1,729.9**	**1,755.2**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,551.9**	**2,550.7**	**2,585.1**	**2,736.7**	**2,801.1**

* Certain amounts reported for prior years in the Consolidated Balance Sheets have been reclassified to conform to the current year's presentation. These changes primarily relate to 1) the reclassification of certain contract liabilities, from Trade accounts payable to Other current liabilities, following the adoption of the ASU 2014-09 Revenue from Contracts with Customers and 2) the reclassification and netting of deferred tax assets and liabilities as a result of the adoption of the ASU 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires deferred tax assets and liabilities to be classified as noncurrent in the Consolidated Balance Sheets.

Order Intake
Order intake increased by USD 504.6 million, or 32.0%, from USD 1,574.4 million in the year ended March 31, 2018 (FY 2017) to USD 2,079.0 million in the year ended March 31, 2019 (FY 2018), on a reported currency basis (34.0% on a constant currency basis). The increase in order intake was predominantly driven by EMEA with projects won in the UK (SMETS2) and in France (Linky) and by the Americas with large AMI projects wins in the United States (We Energies and Ameren Missouri).

Committed Backlog
We define our committed backlog as the sum of our awarded contracts with firm volume and price commitments.

Our committed backlog represents the aggregate amount of individual contract orders we have for specified products, services or solution sales that have a specified value and delivery schedule. As of March 31, 2019, in the Americas, committed backlog related to products, services and solutions was USD 1,754.9 million compared to USD 1,679.0 million as of March 31, 2018. In EMEA, as of March 31, 2019, committed backlog was USD 754.6 million compared to USD 654.1 million as of March 31, 2018. In addition, in EMEA, we had "Contingent Backlog" (representing the portion of an awarded firm volume contract that relies on meeting performance criteria in order to trigger the customer order) in an amount of USD 270.0 million and USD 395.2 million for the years ended March 31, 2019 and 2018, respectively. The decrease of USD 125.2 million is primarily attributable to the transfer into committed backlog of amounts previously included within contingent backlog, in respect of which the Company has met the performance criteria. More than half of the committed and contingent backlog in EMEA relates to contracts in the UK. In Asia Pacific, as of March 31, 2019, committed backlog was USD 93.6 million compared to USD 55.9 million as of March 31, 2018.

Net Revenue
Net revenue increased by USD 27.3 million, or 1.6%, from USD 1,737.8 million in the year ended March 31, 2018 to USD 1,765.2 million in the year ended March 31, 2019, on a reported currency basis (3.1% on a constant currency basis). The increase in net revenue was predominantly driven by stronger sales in the Americas segment which grew by USD 23.6 million in constant currency as compared to previous period, the EMEA and APAC segments showed also a constant currency growth of respectively USD 14.7 million and USD 14.8 million. In the Americas segment, the increase in net revenue was driven by strong US roll-outs running at peak deployment speed and solid sales in public power and IOU, offsetting the slowdown in Japan because of the expected year-over-year decline of USD 46.9 million in revenue from TEPCO's AMI project. The EMEA segment experienced a reasonable growth as major planned AMI rollouts commenced (predominantly in the UK), offsetting the expected lower sales in the Netherlands and Spain which reached their peak in the previous period. Meanwhile, the Asia Pacific segment net revenue recorded an increase of 6.0% on a reported currency basis (11.2% on a constant currency basis) driven by sales in Australia to intelliHUB JV. In the year ended March 31, 2019, revenues were not significantly affected, in contrast to previous period, by certain industry-wide supply chain constraints.

Cost of Revenue and Gross Profit
Cost of revenue decreased by USD 38.9 million, or 3.2%, from USD 1,227.7 million in the year ended March 31, 2018 to USD 1,188.8 million in the year ended March 31, 2019. This decrease reflects the lower level of warranty reaching USD 18.7 million for the year ended March 31, 2019 as compared to USD 48.0 million in the previous period where an amount of USD 40.9 million related to legacy component issues was recorded in the Americas. In addition, the decrease was further driven by product cost downs and restructuring in EMEA offsetting the incremental costs incurred due to supply chain constraints (freight and premium prices paid for components). As a result, gross profit increased by USD 66.3 million, or 13.0%, from USD 510.1 million (or 29.4% in percentage of revenue) in the financial year 2017 to USD 576.3 million (or 32.7% as a percentage of revenue) in the financial year 2018.

OPERATING EXPENSES (*)

USD in millions	FINANCIAL YEAR ENDED MARCH 31, 2019	2018
Research and development	156.8	163.8
Sales and marketing	95.4	104.9
General and administrative	130.9	161.6
Amortization of intangible assets	34.9	35.7
Total operating expenses	**418.1**	**466.1**

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 General and administrative expense has been revised up by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)".

Research and Development

Research and development expenses decreased by USD 7.0 million, or 4.3%, from USD 163.8 million in the year ended March 31, 2018 to USD 156.8 million in the year ended March 31, 2019. The slight decline is attributable to development project timing and productivity improvements mainly in the Americas segment.

Sales and Marketing

Sales and marketing expenses decreased by USD 9.5 million, or 9.1%, from USD 104.9 million in the year ended March 31, 2018 to USD 95.4 million in the year ended March 31, 2019. This decrease in sales and marketing expenses results from control of expenses.

General and Administrative

General and administrative expenses decreased by USD 30.7 million, or 19.0%, from USD 161.6 million (USD 157.8 million as presented in the year ended March 31, 2018, plus a restatement for pensions of USD 3.8 million) to USD 130.9 million in the year ended March 31, 2019. The decrease in general and administrative expenses was driven, on the one hand, by the non-recurring expenses recorded by the corporate function for the IPO of USD 24.2 million in the year ended March 31, 2018, and on the other hand, by the continuous effort worldwide to reduce expenses, for example with the Phoenix Program in EMEA.

Amortization of Intangible Assets

Certain amortization charges were included in cost of revenue in the amount of USD 13.8 million and USD 14.1 million for the years ended March 31, 2019 and 2018, respectively; amortization of intangible assets included under operating expenses decreased by USD 0.8 million, or 2.1%, from USD 35.7 million in the year ended March 31, 2018 to USD 34.9 million in the year ended March 31, 2019.

Operating Income

Operating income increased by USD 114.3 million to USD 158.3 million for the year ended March 31, 2019 from USD 44.0 million for the year ended March 31, 2018 largely as a result of higher gross margin on sales combined with lower overhead expenses, whereas FY 2017 had been impacted by the IPO expenses. Operating income included depreciation and amortization of USD 92.8 million for the year ended March 31, 2019 and USD 97.3 million for the year ended March 31, 2018, which are included in various line items in the Consolidated Statement of Operations.

Operating income before depreciation and amortization, which corresponds to EBITDA, increased by USD 109.8 million, or 77.7%, to USD 251.1 million for the year ended March 31, 2019 from USD 141.3 million for the year ended March 31, 2018. EBITDA included non-recurring and other items in the financial year ended March 31, 2019, which amounted to USD (13.2) million. These non-recurring and other items included (i) restructuring expenses in the amount of USD 4.8 million relating to costs associated with restructuring programs in all segments, (ii) exceptional warranty related expenses of USD 1.1 million in respect of the X2 matter (refer to section Warranty Provision below), (iii) warranty normalization adjustments of USD (16.1) million, included to adjust warranty expenses to the three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims and (iv) change in unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized amounting to USD (3.0) million. EBITDA included non-recurring and other items in the financial year ended March 31, 2018, which amounted to USD 66.9 million. In the financial year ended March 31, 2018, adjustments for these items amounted to (i) USD 14.7 million, (ii) USD 2.4 million, (iii) USD 24.2 million, (iv) USD 0.0 million and (v) USD 25.6 million special items, including USD 24.2 million costs incurred in preparation of the Initial Public Offering of the Company's stock.

In the year ended March 31, 2019, Adjusted EBITDA, which corresponds to EBITDA adjusted for certain non-recurring or other items that Management believes are not indicative of operational performance (as outlined above), was USD 237.9 million, compared to USD 208.2 million in the year ended March 31, 2018. The improved Adjusted EBITDA was driven by an overall better performance worldwide. EMEA and Asia Pacific returned to profitability while Americas remained resilient. For further details, refer to the next chapter Segment Information.

OTHER INCOME (EXPENSE) AND INCOME TAXES

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2019**	2018
Other income (expense)		
Interest income	0.5	0.9
Interest expense	(6.8)	(7.0)
Income (loss) on foreign exchange, net	(1.5)	7.3
Non-operational pension (cost) credit (*)	4.1	3.8
Gain on divestments	14.6	–
Income before income tax expense	**169.0**	**49.0**
Income tax benefit (expense)	(42.1)	(2.2)

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, all pension income and expenses other than service costs are now reported under "Other income (expense)". FY 2017 has been restated to conform to the new presentation.

Interest Income
Interest income decreased by USD 0.4 million, or 45.4%, from USD 0.9 million in the year ended March 31, 2018 to USD 0.5 million in the year ended March 31, 2019.

Interest Expense
Interest expense decreased by USD 0.2 million, or 2.9%, from USD 7.0 million in the year ended March 31, 2018 to USD 6.8 million in the year ended March 31, 2019.

Income (Loss) on Foreign Exchange, Net
Loss on foreign exchange, net decreased by USD 8.8 million, from an income of USD 7.3 million in the year ended March 31, 2018 to a loss of USD (1.5) million in the year ended March 31, 2019. The loss in FY 2018 was driven primarily by the stronger USD against the other major currencies. The income in FY 2017 was primarily attributable to the weaker USD against the EUR and CHF as well as the recovery of the GBP against other currencies.

Gain on divestment
On May 31, 2018, the Company entered into an agreement with Pacific Equity Partners (“PEP”), an Australian private equity firm, to establish IntelliHUB Holdings Pty Ltd, a joint venture for the acquisition of Acumen, a metering service provider, formerly owned by Origin Energy Limited, an Australian energy retailer.

Under the agreement, the Company contributed all the 100 outstanding shares of its wholly owned subsidiary IntelliHUB Operations Pty Ltd (“IntelliHUB”), with net assets of USD 1.0 million previously included in the Asia Pacific reportable unit, and USD 19.1 million in cash, in exchange for 57.5 million shares, representing a 20.3% equity interest in the newly established entity.

On June 19, 2018, the date the transaction was completed, the Company derecognized IntelliHUB’s assets and liabilities, as well as USD 7.5 million of allocated goodwill, representing the portion of the Asia Pacific reporting unit’s goodwill being attributable to IntelliHUB based on relative fair values. The Company recorded USD 14.6 million gain on divestments, which is included within Other income (expense), net in the Consolidated Financial Statements.

Upon divestment of IntelliHUB, the Company has entered into certain commercial agreements with the newly incorporated joint venture, for the sale of hardware and software licenses.

Non-operational pensions (cost) credit
Non-operational pension credit increased by USD 0.3 million, from USD 3.8 million in the year ended March 31, 2018 to USD 4.1 million in the year ended March 31, 2019. Following the adoption of ASU 2017-07 relating to defined pension scheme costs, all pensions income and expenses other than service costs are now reported under “other income (expenses)”.

Provision for Taxes
Income tax expense increased by USD 40.0 million, from USD 2.2 million in the year ended March 31, 2018 to USD 42.1 million in the year ended March 31, 2019. The increase in tax expenses is mainly driven by the improved earnings in Americas and EMEA in the current financial year, as well as certain one-off benefits in the prior financial year, with the enactment of U.S. tax reform being the largest impact. In the financial year 2017, the aforementioned U.S. tax reform resulted in a provisional net benefit of USD 17.3 million from the re-measurement of deferred tax balances. The Company completed the accounting for the income tax effects of the Act, and it did not make any material adjustments to these provisional amounts for the financial year ended March 31, 2019.

Segment Information

The following tables set forth net revenues and Adjusted EBITDA for our segments: Americas, EMEA and Asia Pacific for the years ended March 31, 2019 and 2018.

	FINANCIAL YEAR ENDED MARCH 31,		CHANGE	
USD in millions, unless otherwise indicated	2019	2018	USD	Constant Currency
Committed Backlog				
Americas	1,754.9	1,679.0	4.5%	5.7%
EMEA	754.6	654.1	15.4%	25.6%
Asia Pacific	93.6	55.9	67.4%	77.3%
Total	**2,603.1**	**2,389.0**	**9.0%**	**12.5%**

In addition to the committed backlog shown above, contingent backlog represents an amount of USD 270 million as of March 31, 2019 versus an amount of USD 395 million as of March 31, 2018.

	2019	2018	USD	Constant Currency
Net revenue to external customers				
Americas	986.0	972.2	1.4%	2.5%
EMEA	632.5	627.2	0.8%	2.4%
Asia Pacific	146.7	138.4	6.0%	11.2%
Total	**1,765.2**	**1,737.8**	**1.6%**	**3.1%**
Adjusted Gross Profit				
Americas	392.8	409.2	(4.0%)	
EMEA	186.9	155.9	19.9%	
Asia Pacific	30.0	28.3	6.0%	
Inter-segment eliminations	(0.4)	3.9		
Total	**609.3**	**597.3**	**2.0%**	
Adjusted EBITDA*				
Americas	193.7	198.7	(2.5%)	
EMEA	19.7	(12.0)	–	
Asia Pacific	1.5	(9.6)	–	
Corporate unallocated	23.0	31.1		
Total	**237.9**	**208.2**	**14.3%**	
Adjusted EBITDA % of net revenue to external customers				
Americas	19.6%	20.4%		
EMEA	3.1%	(1.9%)		
Asia Pacific	1.0%	(6.9%)		
Group	**13.5%**	**12.0%**		

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 EBITDA has been revised down by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)". Net income is unchanged.

AMERICAS

Segment Revenue
Net revenue to external customers in the Americas segment increased by USD 13.8 million, or 1.4%, from USD 972.2 million in the year ended March 31, 2018 to USD 986.0 million in the year ended March 31, 2019, on a reported currency basis (2.5% on a constant currency basis). The increase in revenue in the Americas segment was primarily driven by a peak deployment in AMI projects, strong sales to investor owned utilities ("IOU") and public power utilities ("PP") in North America offsetting the planned year-over-year decline of USD 46.9 million in revenue from TEPCO's AMI in Japan and the downtrend in sales in South America.

Segment Adjusted EBITDA
Adjusted EBITDA in the Americas segment decreased by USD 5.0 million, or 2.5%, from USD 198.7 million in the year ended March 31, 2018 to USD 193.7 million in the year ended March 31, 2019. The decrease in Adjusted EBITDA is largely the result of lower Adjusted Gross Profit of USD (16.4) million due to supply chain costs of USD 10.2 million and sales mix. Partly offsetting these negative trends, Americas showed lower Adjusted operating expenses of USD (11.4) million due to strict cost control and temporarily lower R&D expenses. For a reconciliation of Adjusted EBITDA on a segment basis to Adjusted EBITDA on a Group basis, see the section Supplemental Reconciliations and Definitions.

EMEA

Segment Revenue
Net revenue to external customers in the EMEA segment increased by USD 5.3 million, or 0.8%, from USD 627.2 million in the year ended March 31, 2018 to USD 632.5 million in the year ended March 31, 2019, on a reported currency basis (2.4% on a constant currency basis). The increase in revenue to external customers in the EMEA segment was mainly driven by AMI deployments in the UK and stronger sales in Denmark and Germany.

Segment Adjusted EBITDA
Adjusted EBITDA in the EMEA segment increased by USD 31.7 million, from a loss of USD 12.0 million in the year ended March 31, 2018 to USD 19.7 million in the year ended March 31, 2019. The increase in Adjusted EBITDA is largely the result of the expected benefit from product cost reduction and restructuring programs initiated in the previous period, which translated into improved Adjusted Gross Profit (USD 31.0 million increase), and quite stable Adjusted operating expenses (decrease of USD (0.7) million). For a reconciliation of Adjusted EBITDA on a segment basis to Adjusted EBITDA on a Group basis, see the section Supplemental Reconciliations and Definitions.

ASIA PACIFIC

Segment Revenue

Net revenue to external customers in the Asia Pacific segment increased by USD 8.3 million, or 6.0%, from USD 138.4 million in the year ended March 31, 2018 to USD 146.7 million in the year ended March 31, 2019, on a reported currency basis (11.2% on a constant currency basis). The increase in revenue in the Asia Pacific segment was primarily driven by AMI sales in Australia to IntelliHUB JV and stronger sales in India offsetting partly lower sales in Hong Kong.

Segment Adjusted EBITDA

Adjusted EBITDA in the Asia Pacific segment increased by USD 11.1 million, from a loss of USD 9.6 million in the year ended March 31, 2018 to USD 1.5 million in the year ended March 31, 2019. The increase in profitability in the Asia Pacific segment was driven by a slightly better Adjusted Gross Profit (increase of USD 1.7 million) and overall lower Adjusted operating expenses (mainly the results of lower R&D expenses and lower Marketing and selling expense). For a reconciliation of Adjusted EBITDA on a segment basis to Adjusted EBITDA on a Group basis, see the section Supplemental Reconciliations and Definitions.

Restructuring and other Saving Initiatives

The Company continually reviews its business, manages costs and aligns resources with market demand. As a result, the Company has taken several actions to reduce fixed costs, eliminate redundancies, strengthen operational focus and better position itself to respond to market pressures or unfavourable economic conditions.

The following table outlines the cumulative three-year and current costs incurred to date under these programs per segment:

USD in millions	Cumulative Costs incurred up to March 31, 2019	Total Costs incurred in the Financial year ended March 31, 2019
Americas	4.3	2.1
EMEA	15.8	1.0
Asia Pacific	1.6	0.6
Corporate	1.6	1.1
Restructuring Charges	**23.2**	**4.8**

During the financial year 2018, the Company continued its effort on maximizing the efficiency of our manufacturing footprint through capacity and utilization improvements (“Project Lightfoot”). Currently, Project Lightfoot concentrates on our operations in EMEA where we are continuing to improve our production and assembly processes, consolidate our manufacturing capacities in a reduced number of designated facilities, transfer selected manufacturing activities to lower cost countries in order to gain cost efficiencies and reduce our depth of manufacturing through outsourcing.

Meanwhile, the second major initiative launched in the second half of 2016 (“Project Phoenix”) aimed to optimize our cost base in EMEA, mainly through reductions in our fixed cost set-up around the region. This program is now complete having achieved savings of USD 21.7 million.

In conjunction with the two above mentioned restructuring initiatives, we have incurred one-time costs of USD 13.6 million and USD 1.0 million for the financial years 2017 and 2018, respectively, predominantly relating to severance and redundancy costs. In the mid-term, we expect to realize savings of approximately USD 25 million per annum from Project Lightfoot with full savings expected to be achieved by the year ended March 31, 2021.

Furthermore, during the financial year 2018 the Company initiated cost saving programmes in Americas, aimed to improve our cost structure, reduce fixed cost and react to the economic constraints in South America. The Company incurred USD 2.1 million severance cost in connection with these initiatives.

Liquidity and Capital Resources

The Company funds its operations and growth with cash flow from operations and borrowings. Cash flows may fluctuate and are sensitive to many factors including changes in working capital, the timing and magnitude of capital expenditures and repayment of debt.

We believe that cash flow from operating activities as well as the borrowing capacity under our Credit Facility Agreements will be sufficient to fund currently anticipated working capital, planned capital spending, debt service requirements, dividend payments to shareholders and purchase of treasury shares under the Company's share buy-back program and the share-based compensation schemes for at least the next twelve months. Over the longer term, we believe that our cash flows from operating activities and available cash and cash equivalents and access to borrowing facilities, will be sufficient to fund our capital expenditures, debt service requirements, dividend payments and the purchase of treasury shares under the Company's share buy-back program. We also regularly review acquisition and other strategic opportunities, which may require additional debt or equity financing.

CASH FLOWS

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2019**	2018
Cash flows provided by operating activities	162.9	124.7
Cash flows used in investing activities	(60.6)	(37.3)
Business acquisitions	21.1	–
Free Cash Flow (excluding M&A)	**123.5**	**87.5**
Cash flows used in financing activities	(132.7)	(83.2)

Operating Activities

Cash flow provided by operating activities increased by USD 38.2 million, or 30.7%, from USD 124.7 million in financial year 2017 to USD 162.9 million in the financial year 2018, as higher EBITDA was partly offset by lower improvements in working capital and higher cash outs for legacy warranty and warranty settlement.

Investing Activities

Cash flow used in investing activities increased by USD (23.3) million, or 62.6%, from USD (37.3) million in the financial year 2017 to USD (60.6) million in the financial year 2018. The increase in cash flow used in investing activities was driven by USD 19.1 million paid to establish a joint venture with Pacific Equity Partners, an Australian private equity firm, for the acquisition of Acumen, a metering service provider, formerly owned by Origin Energy Limited, an Australian energy retailer, as well as USD 2.0 million paid to acquire a minority interest in Sense, a US provider of electronic devices for residential applications. In accordance with the Company's definitions, this amount was excluded in the computation of Free Cash Flow, excluding mergers and acquisition activities.

Financing Activities

Cash flow used in financing activities increased by USD (49.5) million, or 59.5%, from USD (83.2) million in the financial year 2017 to USD (132.7) million in the financial year 2018. In the year ended March 31, 2019, the outflow for financing activities was driven mainly by the dividend payment of USD 68.4 million, USD 12.7 million used to purchase treasury shares under the Company's share buy-back program and the share-based compensation schemes, as well as the decrease by USD (50) million of the borrowings under the Credit Facility Agreement, thanks to the cash provided by operating activities. In the year ended March 31, 2018, the net outflow of USD 83.2 million was primarily attributable to the repayment of the pre-existing shareholder loan of USD 215 million; this was partly offset by the proceeds from the borrowings of USD 130 million under the Credit Facility Agreement which we entered into in March 2018.

Net Operating Working Capital

A key factor affecting cash flow from operating activities is, amongst others, changes in working capital. Operating working capital ("OWC") reflects trade account receivables from third and related parties (net of allowance for doubtful accounts) including notes receivables and unbilled receivables, plus inventories less trade accounts payable from third and related parties including prepayments. The table below outlines our operating working capital for the Group and each of our segments as of March 31, 2019 and 2018.

NET OPERATING WORKING CAPITAL

USD in millions, except percentages	March 31, 2019	March 31, 2018
Accounts receivable, net	367.9	315.8
Inventories, net	133.7	121.4
Trade accounts payable (1)	(220.3)	(150.2)
Operating Working Capital	**281.3**	**287.0**
Operating Working Capital as a percentage of Net Revenue	15.9%	16.5%

1) Following the adoption of the ASU 2014-09 Revenue from Contracts with Customers certain contract liabilities were reclassified from Trade accounts payable to Other current liabilities. Amounts reported for prior years in the Consolidated Balance Sheets have been reclassified to conform to the current year's presentation.

During the periods under review, the main changes to the Group's OWC arose from the stronger turnover in the second half of financial year 2018, as compared to the corresponding period in prior year, which resulted in higher trade accounts receivable and inventories, compensated by higher trade accounts payable.

Capital Expenditures

A key component of cash flow used in investing activities is capital expenditures ("Capex"). We calculate Capex as the amounts invested in property, plant and equipment and intangibles assets. Our Capex is composed of three elements: (i) Replacement Capex; (ii) Expansion Capex (i.e. directly linked to expected volume growth); and (iii) Service Contract Capex (i.e. for our Managed Services business unit in the Americas to fund on-balance sheet metering devices). Capex slightly increased relative to sales and in absolute terms during the periods under review and amounted to 2.3%, and 2.2% of net revenue for the financial years 2018 and 2017, respectively. Capex has been fully funded by cash flow from operating activities.

CAPITAL EXPENDITURES

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, except percentages	2019	2018
Service contracts	5.4	2.9
Expansion	15.4	18.7
Replacement	19.7	16.4
CapEx	**40.5**	**38.0**
CapEx as a percentage of Net Revenue	2.3%	2.2%

Capital expenditures increased by USD 2.5 million, or 6.6%, from USD 38.0 million in the financial year 2017 to USD 40.5 million in the financial year 2018. A significant portion of Capex is driven by the large number of product variants, which we are required to have to support different customer and market requirements, especially in connection with the deployment of AMI projects.

Net Debt

The table below presents the components of net debt as of March 31, 2019 and 2018.

NET DEBT

USD in millions	March 31, 2019	March 31, 2018
Cash and cash equivalents	(73.4)	(101.8)
Credit facility	80.0	130.0
Other borrowings from banks	10.7	12.3
Other financial liabilities (assets), net	(0.1)	(0.1)
Net Debt	**17.2**	**40.5**

The Company’s policy is to ensure the Group will have adequate financial flexibility at all times without incurring unnecessary cost. Financial flexibility can be either provided through direct access to debt capital markets (private placement markets), or money markets (commercial paper) or through the establishment of bank facilities, either on a bilateral basis or on a syndicated basis.

Indebtedness

Total outstanding debt was as follows:

INDEBTEDNESS

USD in millions	March 31, 2019	March 31, 2018
Credit Facility	80.0	130.0
Other borrowings from banks	10.7	12.3

For the description of the Company’s indebtedness, refer to the Note 16: Loans payable in our Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The Consolidated Financial Statements of the Company have been prepared in accordance with US GAAP. The preparation of the financial statements requires management to make estimates and assumptions, which have an effect on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and on the reported amounts of revenues and expenses during the reporting period.

Management evaluates the estimates on an ongoing basis, including, but not limited to, those related to costs of product guarantees and warranties, provisions for bad debts, recoverability of inventories, fixed assets, goodwill and other intangible assets, income tax expenses and provisions related to uncertain tax positions, pensions and other post-retirement benefit assumptions and legal and other contingencies.

Where appropriate, the estimates are based on historical experience and on various other assumptions that Management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our estimates and assumptions.

The Company deems an accounting policy to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company’s Consolidated Financial Statements.

Management also deems an accounting policy to be critical when the application of such policy is essential to the Company’s ongoing operations. Management believes the following critical accounting policies require to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain.

The following policies should be considered when reading the Consolidated Financial Statements:
– Revenue Recognition
– Contingencies
– Pension and Other Post-retirement Benefits
– Income Taxes
– Goodwill and Other Intangible Assets

For a summary of the Company’s accounting policies and a description of accounting changes and recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our Consolidated Financial Statements, see “Note 2: Summary of Significant Accounting Principles” in our Consolidated Financial Statements.

Supplemental Reconciliations and Definitions

Adjusted EBITDA

The reconciliation of EBITDA to Adjusted EBITDA is as follows for the financial years ended March 31, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Operating income (*)	**158.3**	**44.0**	**148.8**	**102.8**	**1.0**	**(41.9)**	**(4.0)**	**(15.7)**	**12.5**	**(1.2)**
Amortization of intangible assets	48.7	49.8	33.0	33.5	7.3	7.4	1.6	2.1	6.8	6.8
Depreciation	44.1	47.5	25.1	29.0	15.1	14.6	3.3	3.7	0.6	0.2
EBITDA	**251.1**	**141.3**	**206.9**	**165.3**	**23.4**	**(19.9)**	**0.9**	**(9.9)**	**19.9**	**5.8**
Restructuring charges	4.8	14.7	2.1	0.6	1.0	13.6	0.6	–	1.1	0.5
Exceptional warranty related expenses (1)	1.1	2.4	–	–	(1.0)	2.2	–	–	2.1	0.2
Warranty normalization adjustments (2)	(16.1)	24.2	(15.3)	32.8	(0.7)	(7.9)	–	(0.6)	(0.1)	(0.1)
Timing difference on FX derivatives (3)	(3.0)	–	–	–	(3.0)	–	–	–	–	–
Special items (4)	–	25.6	–	–	–	–	–	0.9	–	24.7
Adjusted EBITDA	**237.9**	**208.2**	**193.7**	**198.7**	**19.7**	**(12.0)**	**1.5**	**(9.6)**	**23.0**	**31.1**
Adjusted EBITDA margin (%)	13.5%	12.0%	19.6%	20.4%	3.1%	(1.9%)	1.0%	(6.9%)		

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 General and administrative expense has been revised up by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)".

1) Exceptional warranty related expenses related to the X2 matter. See section "Warranty Provisions"

2) Warranty normalization adjustments represents warranty expenses that diverge from a three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims. For the calculation of the average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty-like claims for the periods under review and going forward, see section "Warranty Provisions".

3) Timing difference on FX derivatives represents unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized.

4) Special items represent costs incurred, or income earned, related to non-recurring events, certain settlements of litigation and other miscellaneous items. Special items for the year ended March 31, 2018 included, among others, USD 24.2 million costs incurred in connection with the IPO and USD 1.4 million other miscellaneous items.

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the financial years ended March 31, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Gross Profit	**576.3**	**510.1**	**380.4**	**345.8**	**171.6**	**135.0**	**26.7**	**25.6**	**(2.4)**	**3.7**
Amortization of intangible assets	13.8	14.1	5.4	5.6	7.0	7.0	1.4	1.5	–	–
Depreciation	36.4	39.5	21.5	25.1	13.3	12.6	1.7	1.8	(0.1)	–
Restructuring charges	0.8	7.0	0.9	–	(0.3)	7.0	0.2	–	–	–
Exceptional warranty related expenses	1.1	2.4	–	–	(1.0)	2.2	–	–	2.1	0.2
Warranty normalization adjustments	(16.1)	24.2	(15.4)	32.7	(0.7)	(7.9)	–	(0.6)	–	–
Timing difference on FX derivatives	(3.0)	–	–	–	(3.0)	–	–	–	–	–
Special items	–	–	–	–	–	–	–	–	–	–
Adjusted Gross Profit	**609.3**	**597.3**	**392.8**	**409.2**	**186.9**	**155.9**	**30.0**	**28.3**	**(0.4)**	**3.9**
Adjusted Gross Profit margin (%)	34.5%	34.4%	39.8%	42.1%	29.5%	24.9%	20.4%	20.4%		

Adjusted Operating Expense

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the financial years ended March 31, 2019 and 2018:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2019**	2018
Research and development	**156.8**	**163.8**
Depreciation	(4.0)	(4.4)
Restructuring charges	(0.9)	(1.4)
Adjusted Research and Development	**151.9**	**158.0**
Sales and Marketing	95.4	104.9
General and administrative	130.9	161.6
Depreciation	(3.7)	(3.6)
Restructuring charges	(3.1)	(6.2)
Special items	–	(25.6)
Adjusted Sales, General and Administrative	**219.5**	**231.1**
Adjusted Operating Expenses	**371.4**	**389.1**

Warranty Provisions
We offer standard warranties on our metering products and our solutions for periods ranging from one to five years. In some instances, warranty periods can be further extended based on customer specific negotiations.

Under limited circumstances, we may also settle certain quality-related issues experienced by our customers even if not strictly required to do so by the terms of a warranty (referred to as “warranty-like” items). Warranty accruals represent our estimate of the cost of projected warranty and warranty-like claims and are based on historical and projected warranty trends, specific quality issues identified (if any), supplier information and other business and economic projections as well as other commercial considerations. Our results in any given period are affected by additions to as well as by releases of, or other adjustments to these accruals, offset by insurance proceeds, received or receivable, if any.

For the financial years ended March 31, 2019 and 2018, our Consolidated Statements of Operations include net changes to the warranty and warranty-like accruals, which we recorded in cost of goods sold, of USD 5.8 million and USD 40.7 million, respectively, comprising additions to and releases of, or other adjustments to, accruals in respect of such claims. Our results were historically significantly impacted by warranty claims relating to the X2 capacitors (the “X2 matter”), which resulted in net changes to the accruals for warranty and warranty-like claims of USD (0.4) million, and USD 1.4 million, respectively, for the years ended March 31, 2019 and 2018.

Management considers the X2 matter to be an exceptional warranty case because of the uniqueness of the matter and because it was part of an industry-wide component failure that impacted not only our products, but also those of our competitors and the electronics industry generally.

In the financial years 2018 and 2017, net changes to warranty accruals were impacted by additional accruals net of insurance proceeds of USD (1.1) million and USD 40.9 million related to legacy component issues in the Americas.

In assessing the underlying operational performance of the business over time, Management believes that it is useful to consider average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims as an alternative to warranty accruals, which are estimates and subject to change and significant period-to-period volatility. For the years ended March 31, 2019, 2018 and 2017, the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims (excluding X2) amounted to USD 30.8 million, USD 20.5 million and USD 15.7 million, respectively, resulting in three-year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of such claims of USD 22.3 million. For the year ended March 31, 2018, the three-year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) amounted to USD 15.0 million. The main part of the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims (excluding X2) in the year ended March 31, 2019 was related to the legacy component issues in the Americas.

Management presents Adjusted EBITDA in this Financial Report 2018 as an alternative performance measure (both at the Group and at the segment level). With regards to warranty and warranty-like claims, Adjusted EBITDA excludes the accruals associated with the X2 claim (as well as the associated legal expenses) and, with respect to other warranty and warranty-like claims, includes only the average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of such claims, which amounted to USD 22.3 million and USD 15.0 million for the years ended March 31, 2019 and 2018. For the years ended March 31, 2019 and 2018, the warranty normalization adjustments made in calculating Adjusted EBITDA amounted to USD (16.1) million and USD 24.2 million, respectively.

The following table provides information on our accruals in respect of warranty and warranty-like claims as well as the associated outflow (in cash and cash equivalents) for the periods under review.

	FINANCIAL YEAR ENDED MARCH 31,			
USD in millions, unless otherwise indicated	**2019**	2018	2017	**Average**
Beginning of the year				
Warranty accrual	73.4	51.7	91.6	
Other warranty-like accrued liabilities (1)	–	–	6.5	
Total	**73.4**	**51.7**	**98.2**	
Additions (2)	18.7	48.0	46.6	
Other changes / adjustments to warranties (3)	(12.8)	(7.3)	(53.8)	
Outflow in respect of X2 matter	(1.2)	(1.0)	(18.9)	
Outflow in respect of other warranty and warranty-like claims	(30.8)	(20.5)	(15.7)	(22.3)
Total outflow in respect of X2 matter and other warranty and warranty-like claims	(32.0)	(21.5)	(34.6)	
Effect of changes in exchange rates	(2.2)	2.6	(4.7)	
Ending balance				
Warranty accrual	45.2	73.4	51.7	
Other warranty-like accrued liabilities (1)	–	–	–	
Total	**45.2**	**73.4**	**51.7**	

1 Other warranty-like accrued liabilities, which are reflected in other current liabilities in the Consolidated Balance Sheets.
2 "Additions" reflects new product warranty amounts included in warranty provisions (USD 18.7 million, USD 48.0 million and USD 48.7 million for the years ended March 31, 2019, 2018 and 2017, respectively, due to legacy component issues in Americas and EMEA) and other warranty-like accrued liabilities (USD nil million, USD nil million and USD (2.1) million for the years ended March 31, 2019, 2018 and 2017, respectively).
3 Other changes/adjustments to warranties reflects amounts included in warranty provisions and other warranty-like accrued liabilities as a result of releases or other adjustments resulting from settlement of claims for which accruals had previously been recorded. In particular, the figure for the year ended March 31, 2017 reflects the reclassification of accruals for the X2 matter from warranty accruals to liabilities following a settlement in connection with the X2 matter.

The following table provides further information on our warranty and warranty-like claims, including the impact of the X2 matter on our accruals and the derivation of the warranty normalization adjustments used in calculating Adjusted EBITDA.

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2019**	2018
Additions		
Additions (including X2) [1]	18.7	48.0
X2 Additions	–	(1.4)
Additions (excluding X2)	**18.7**	**46.6**
Other changes / adjustments to warranties		
Releases (including X2)	(12.8)	(7.3)
X2 Reclassification	–	–
X2 Releases	0.4	–
Releases (excluding X2)	**(12.4)**	**(7.3)**
Net changes to warranty and warranty-like accruals (including X2)	5.8	40.7
Net changes to warranty and warranty-like accruals relating to X2	0.4	(1.4)
Net changes to warranty and warranty-like accruals (excluding X2)	**6.2**	**39.3**
Three year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty claims (excluding X2)	(22.3)	(15.0)
Warranty normalization adjustments	**(16.1)**	**24.2**

1 "Additions (including X2)" reflects new product warranty amounts included in warranty provisions (USD 18.7 million and USD 48.0 million for the years ended March 31, 2019 and 2018, respectively).

Main Exchange Rates applied

The following exchange rates against the USD have been applied for the most important currencies concerned:

	INCOME STATEMENT AVERAGE EXCHANGE RATE, 12 MONTHS		EXCHANGE RATE ON BALANCE-SHEET DATE	
Exchange rates	**2019**	2018	**31.03.2019**	31.03.2018
Euro countries – EUR	1.1580	1.1707	1.1221	1.2327
United Kingdom – GBP	1.3126	1.3269	1.2993	1.4037
Switzerland – CHF	1.0098	1.0307	1.0043	1.0492
Brazil – BRL	0.2645	0.3107	0.2564	0.3031
Australia – AUD	0.7293	0.7739	0.7097	0.7686

Glossary

The following table provides definitions for key terms and abbreviations used within this annual report.

Term	Definition
Adjusted EBITDA	Net income (loss) excluding interest income and expense, net, gain (loss) on foreign exchange related to intercompany loans, net, depreciation and amortization, impairment of intangible and long-lived assets, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments, timing difference on FX derivatives, special items, and income tax expense
Adjusted Gross Profit	Total revenue minus the cost of revenue, adjusted for depreciation, amortization and certain non-recurring or other items that Management believes are not indicative of operational performance
Adjusted Operating Expense	Research and development expense (net of research and development related income), plus sales and marketing expense, plus general and administrative expense, adjusted for depreciation and non-recurring or other items that Management believes are not indicative of operational performance
Committed Backlog	Cumulative sum of the awarded contracts, with firm volume and price commitments, that are not fulfilled as of the end of the reporting period
Cost of Revenue	Cost of manufacturing and delivering the products or services sold during the period
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortization and Impairment of intangible assets
Effective cash tax rate	Total projected cash tax payments as a percentage of income (loss) before income tax expenses
Effective P&L tax rate	Total projected tax expense including current and deferred taxes, as well as discrete events as a percentage of income (loss) before income tax expenses
EPS	Earnings Per Share (the Company's total earnings divided by the weighted average number of shares outstanding during the period)
Free Cash Flow (excluding M&A)	Cash flow from operating activities (including changes in net operating working capital) minus cash flow from investing activities (capital expenditures in fixed and intangible assets) excluding mergers and acquisition activities
Net Debt	Current and non-current loans and borrowings less cash and cash equivalents
Net Revenue	Income realized from executing and fulfilling customer orders, before any costs or expenses are deducted
Order Intake	Sum of awarded contracts during the reporting period, with firm volume and price commitments

Consolidated Financial Statements of Landis+Gyr Group

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Report of the statutory auditor

to the General Meeting of Landis+Gyr Group AG

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Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Landis+Gyr Group AG and its subsidiaries (the “Company”), which comprise the consolidated statement of operations, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and notes (pages 33 to 90), for the year ended 31 March 2019.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company’s preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2019 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Key audit matter	*How our audit addressed the key audit matter*
As of 31 March 2019, the Company's carrying value of goodwill was USD 1.4 billion, which represents approximately 53% of Company's total assets. Goodwill is allocated to three reporting units. The Company tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. The impairment test involves comparing the fair value of each reporting unit to its carrying value. If the carrying value exceeds its fair value, goodwill is considered impaired. The determination of the fair value of each reporting unit involves significant estimation and judgment, including determining key assumptions used in estimating the future cash flows to support the fair value of each reporting unit, such as the projections of future business performance and profitability, terminal growth rates and discount rates. Refer to Note 2.14 *Goodwill* and Note 12 *Goodwill* of the consolidated financial statements.	• We assessed management's allocation of goodwill to the reporting units, considering the consistency with management reporting and how the business is managed within and across geographies. • We obtained management's fair value calculation for each reporting unit and assessed the consistency of the methodology applied with prior years. • We tested the mathematical accuracy of each model and agreed inputs to supporting documentation. • We agreed the FY 2019-FY 2023 projections to the Board of Directors approved mid-term plan and discussed with management the key drivers, as well as the intentions and the actions planned to achieve expected results. We also compared the current year actual results with prior year projections to assess any inaccuracies or bias in assumptions. • We utilized PwC internal valuation specialists to assess the appropriateness of management's value in use models and the reasonableness of management's discount and terminal growth rates. • We obtained the Company's sensitivity analysis around key assumptions to ascertain the effect of changes to those assumptions on the fair value estimates and recalculated these sensitivities. In addition, we performed our own independent sensitivity analysis by changing various key assumptions to reasonable changes of assumptions to assess whether these would result in an impairment. • We considered the reasonableness of the sum of the fair value estimates in relation to the overall market capitalization of the company. On the basis of procedures performed, we determined that the conclusions reached by management with regards to the recoverability of goodwill were reasonable.

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Warranty provision–legacy component issue (Americas segment)

Key audit matter	*How our audit addressed the key audit matter*
As of 31 March 2019, a significant portion of the Company's warranty provision relates to a legacy component issue in the Americas segment. The warranty provision is an estimate that involves management's judgement on key assumptions, namely failure rates, costs incurred to repair or replace each unit, and affected units in service. Due to the inherent uncertainty, size and judgement pertaining to the estimate, we view the matter as a key audit matter. Refer to Note 24 *Commitments and Contingencies* of the consolidated financial statements.	• We obtained an understanding of management's estimate and methodology in determining the warranty provision. • We assessed the historical failure rates for major customers to ensure the estimated future failure rates were reasonable. • We tested the cost incurred to repair or replace each unit used in the provision calculation and agreed them to supporting documentation. • We recalculated a sample of units in service by agreeing them to original purchase orders and proofs of delivery. Based on the procedures performed, we found the judgments made by management in relation to the warranty provision pertaining to the legacy component issue (Americas segment) to be reasonable.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner
Audit expert
Auditor in charge

Claudia Muhlinghaus
Audit expert

Zug, 28 May 2019

Consolidated Statements of Operations

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands, except per share data	**2019**	2018
Net revenue	**1,765,159**	**1,737,814**
Cost of revenue	1,188,824	1,227,743
Gross profit	**576,335**	**510,071**
Operating expenses		
Research and development	156,847	163,833
Sales and marketing	95,407	104,946
General and administrative	130,892	161,623
Amortization of intangible assets	34,937	35,702
Operating income	**158,252**	**43,967**
Other income (expense)		
Interest income	479	877
Interest expense	(6,847)	(6,966)
Non-operational pension (cost) credit	4,078	3,801
Gain on divestments	14,563	–
Income (loss) on foreign exchange, net	(1,526)	7,290
Income before income tax expense	**168,999**	**48,969**
Income tax expense	(42,121)	(2,175)
Net income before noncontrolling interests and equity method investments	**126,878**	**46,794**
Net loss from equity investments	(4,250)	–
Net income before noncontrolling interests	**122,628**	**46,794**
Net income attributable to noncontrolling interests, net of tax	383	423
Net income attributable to Landis+Gyr Group AG Shareholders	**122,245**	**46,371**
Earnings per share:		
Basic and diluted (USD)	4.15	1.57
Weighted average number of shares used in computing earnings per share:		
Basic and diluted	29,489,321	29,510,000

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Net income before noncontrolling interests	**122,628**	**46,794**
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of income tax expense	(14,930)	6,127
Pension plan benefits liability adjustments, net of income tax expense	(2,227)	12,635
Comprehensive income	**105,471**	**65,556**
Net income attributable to noncontrolling interests, net of tax	(383)	(423)
Foreign currency translation adjustments attributable to the noncontrolling interests	566	(386)
Comprehensive income attributable to Landis+Gyr Group AG Shareholders	**105,654**	**64,747**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

USD in thousands, except share data	March 31, 2019	March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	73,381	101,763
Restricted cash	–	5,000
Accounts receivable, net of allowance for doubtful accounts of USD 9.9 million and USD 6.2 million	367,943	315,788
Inventories, net	133,659	121,398
Prepaid expenses and other current assets	54,798	45,363
Total current assets	**629,781**	**589,312**
Property, plant and equipment, net	142,058	164,400
Intangible assets, net	332,030	381,674
Goodwill	1,354,094	1,361,591
Deferred tax assets	15,821	16,021
Other long-term assets	78,156	37,683
TOTAL ASSETS	**2,551,940**	**2,550,681**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	220,314	150,168
Accrued liabilities	31,232	40,015
Warranty provision – current	34,257	47,870
Payroll and benefits payable	66,842	65,210
Loans payable	90,661	142,327
Other current liabilities	81,438	69,655
Total current liabilities	**524,744**	**515,245**
Warranty provision – non current	10,920	25,557
Pension and other employee liabilities	48,382	55,743
Deferred tax liabilities	37,347	32,520
Tax provision	29,172	25,492
Other long – term liabilities	68,000	88,103
Total liabilities	**718,565**	**742,660**
Commitments and contingencies – Note 24		
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity Registered ordinary shares (29,510,000 issued shares at March 31, 2019 and 2018, respectively)	309,050	309,050
Additional paid-in capital	1,408,122	1,475,421
Retained earnings	177,966	55,721
Accumulated other comprehensive loss	(52,145)	(35,554)
Treasury shares, at cost (198,674 and nil shares at March 31, 2019 and March 31, 2018, respectively)	(12,332)	–
Total Landis+Gyr Group AG shareholders' equity	**1,830,661**	**1,804,638**
Noncontrolling interests	2,714	3,383
Total shareholders' equity	**1,833,375**	**1,808,021**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,551,940**	**2,550,681**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

USD in thousands except for shares	Registered ordinary shares [1]		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury shares	Total Landis+Gyr Group AG equity	Noncontrolling interests	Total shareholders' equity
Balance at March 31, 2017	**29,510,000**	**$ 309,050**	**1,465,595**	**9,350**	**(53,930)**	**–**	**1,730,065**	**2,574**	**1,732,639**
Net income	–	–	–	46,371	–	–	46,371	423	46,794
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	5,741	–	5,741	386	6,127
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	12,635	–	12,635	–	12,635
IPO recognition bonus			9,826	–	–	–	9,826	–	9,826
Balance at March 31, 2018	**29,510,000**	**$ 309,050**	**1,475,421**	**55,721**	**(35,554)**	**–**	**1,804,638**	**3,383**	**1,808,021**
Net income	–	–	–	122,245	–	–	122,245	383	122,628
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	(14,364)	–	(14,364)	(566)	(14,930)
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	(2,227)	–	(2,227)	–	(2,227)
Dividends paid (CHF 2.30 per share)	–	–	(68,383)	–	–	–	(68,383)	–	(68,383)
Dividends paid to noncontrolling interest	–	–	–	–	–	–	–	(486)	(486)
Share based compensation	–	–	1,461	–	–	–	1,461	–	1,461
Purchase of treasury shares	–	–	–	–	–	(12,709)	(12,709)	–	(12,709)
Delivery of shares	–	–	(377)	–	–	377	–	–	–
Balance at March 31, 2019	**29,510,000**	**$ 309,050**	**1,408,122**	**177,966**	**(52,145)**	**(12,332)**	**1,830,661**	**2,714**	**1,833,375**

1 The number of shares for all periods has been restated in connection with the Reverse Stock Split. Refer to Note 3: Shareholders' equity for further details.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

USD in thousands	FINANCIAL YEAR ENDED MARCH 31, 2019	2018
Cash flow from operating activities		
Net income	122,628	46,794
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	92,815	97,346
Net loss (income) from equity investments	4,250	–
Share-based compensation	1,461	–
Gain on divestments	(14,563)	–
IPO recognition bonus – equity component	–	6,551
Gain on disposal of property, plant and equipment	526	688
Effect of foreign currencies translation on non-operating items, net	(4,203)	6,112
Change in allowance for doubtful accounts	3,633	1,496
Deferred income tax	4,625	(24,858)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	(77,040)	6,633
Inventories	(10,818)	16,276
Trade accounts payable	89,271	(8,772)
Other assets and liabilities	(49,647)	(23,560)
Net cash provided by operating activities	**162,938**	**124,706**
Cash flow from investing activities		
Payments for property, plant and equipment	(40,328)	(37,870)
Payments for intangible assets	(141)	(107)
Proceeds from the sale of property, plant and equipment	1,016	725
Business acquisitions	(21,101)	–
Net cash used in investing activities	**(60,554)**	**(37,252)**
Cash flow from financing activities		
Proceeds from third party facility	195,073	130,000
Repayment of borrowings to third party facility	(245,620)	(216)
Dividends paid to noncontrolling interests	(486)	–
Debt issuance cost	(614)	(1,270)
Dividends paid	(68,383)	–
Purchase of treasury shares	(12,709)	–
Repayment of borrowings to shareholders and related party facility	–	(215,000)
Capital contribution related to IPO recognition bonus – cash component	–	3,275
Net cash used in financing activities	**(132,739)**	**(83,211)**
Net increase (decrease) in cash and cash equivalents	**(30,355)**	**4,243**
Cash and cash equivalents at beginning of period, including restricted cash	106,763	101,033
Effects of foreign exchange rate changes on cash and cash equivalents	(3,027)	1,487
Cash and cash equivalents at end of period, including restricted cash	**73,381**	**106,763**
Supplemental cash flow information		
Cash paid for income tax	32,569	45,419
Cash paid for interest	5,912	6,925

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

NOTE 1: DESCRIPTION OF BUSINESS AND ORGANIZATION

Description of Business

Landis+Gyr Group AG (“Landis+Gyr”) and subsidiaries (together, the “Company”) form a leading global provider of energy metering products and solutions to utilities. The Company is organized in a geographical structure, which corresponds to the regional segments of the Americas, EMEA, and Asia Pacific. Landis+Gyr offers a comprehensive portfolio of products, solutions and services, including meters, related devices, communications technologies and software applications that are essential to the measurement and management of energy distribution and consumption.

Initial Public Offering

On July 12, 2017, the Company’s listing application (Securities number: 37115349; ISIN: CH.037’115’349’2; Ticker symbol: LAND) relating to an initial public offering (“IPO”) of its common stock was declared effective by the SIX Swiss Exchange. On July 21, 2017, the Company completed the IPO at a price to the public of Swiss Francs (“CHF”) 78 per share. In connection with the IPO, the Company’s stockholders sold an aggregate of 29,510,000 shares of common stock, thereof 81,945 shares were set aside to grant and fund the IPO recognition bonus (see Note 3: Shareholders’ equity). The selling stockholders received all of the net proceeds and bore all commissions and discounts from the sale of the Company’s common stock. The Company did not receive any proceeds from the IPO.

In conjunction with the IPO, the Company incurred USD 24.2 million of costs for professional services and an IPO recognition bonus. The IPO recognition bonus amounted to USD 9.8 million, was fully funded by the selling shareholders, and consisted of shares and cash. The Company has expensed the IPO related professional fees as incurred. The IPO recognition bonus was expensed pursuant to the stock compensation guidance and recognized as increase in additional paid-in capital (see Note 3: Shareholders’ equity).

Prior to the IPO, the Company was owned by Toshiba Corporation (60%) and Innovation Network Corporation of Japan (40%).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Basis of Presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the Unites States of America (“US GAAP”). All amounts are presented in United States dollars (“USD”), unless otherwise stated.

As a result of the adoption of certain accounting pronouncements (see Note 2.27), certain amounts reported in the consolidated financial information for the financial year ended March 31, 2018 have been reclassified to conform to the current year’s presentation. These changes primarily relate to the reclassification of certain net periodic pension and post-retirement benefits costs/credits, in the amount of USD 3.8 million, from General and administrative expenses to Non-operational pension (cost) credit and the reclassification of certain contract liabilities, in the amount of USD 3.6 million, from Trade accounts payable to Other current liabilities.

2.2 Principles of Consolidation

The consolidated financial statements include the accounts of Landis+Gyr Group AG and its wholly-owned and majority owned subsidiaries. The Company consolidates companies in which it owns or controls more than fifty percent of the voting shares or has the ability to execute direct or indirect control.

The Company presents noncontrolling interests in less-than-wholly-owned subsidiaries within the equity section of its consolidated financial statements. At March 31, 2019, and at March 31, 2018, the Company had one less-than-wholly-owned subsidiary in South Africa with an ownership interest of 76.7% in both periods.

All intercompany balances and transactions have been eliminated.

Affiliates are companies where the Company has the power to exercise a significant influence but does not exercise control. Significant influence may be obtained when the Company has 20% or more of the voting rights in the investee or has obtained a seat on the Board of Directors or otherwise participates in the policy-making process of the investee. Affiliated companies are accounted for using the equity method.

2.3 Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items subject to such estimates include warranty provisions, allowances for doubtful accounts, valuation allowances for deferred tax assets, valuation of goodwill and other intangible assets, valuation of defined benefit pension obligations, income tax uncertainties and other contingencies and items recorded at fair value including, assets and liabilities obtained in a business combination. Actual results could differ materially from these estimates.

2.4 Revenue Recognition

The majority of the Company’s revenues consist primarily of hardware sales, but may also include the license of software, software implementation services, project management services, installation services, post-sale maintenance support, and extended or noncustomary warranties. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable. In determining whether the definition of a contract has been met, the Company considers whether the arrangement creates enforceable rights and obligations, which involves evaluation of agreement terms that would allow for the customer to terminate the agreement. If the customer is able to terminate the agreement without providing further consideration to the Company, the agreement would not be considered to meet the definition of a contract.

Many of the Company’s revenue arrangements involve multiple performance obligations consisting of hardware, meter reading system software, installation, and/or project management services.

Separate contracts entered into with the same customer (or related parties of the customer) at or near the same time are accounted for as a single contract where one or more of the following criteria are met:

- The contracts are negotiated as a package with a single commercial objective;
- The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

Once the contract has been defined, the Company evaluates whether the promises in the contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment, and the decision to separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recognized in a given period. For some projects, the customer requires the Company to provide a significant service of integrating, customizing or modifying goods or services in the contract in which case the goods or services would be combined into a single performance obligation. It is common that the Company may promise to provide multiple distinct goods or services within a contract in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. If applicable, for goods or services where observable standalone sales are available, the observable standalone sales are used to determine the standalone selling price. In the absence of observable standalone sales, the Company estimates the standalone selling price using either the adjusted market assessment approach or the expected cost plus a margin approach. Approaches used to estimate the standalone selling price for a given good or service will maximize the use of observable inputs and considers several factors, including the Company's pricing practices, costs to provide a good or service, the type of good or service, and availability of other transactional data, among others. The Company determines the estimated standalone selling prices of goods or services used in the allocation of arrangement consideration on an annual basis or more frequently if there is a significant change in the business or if the Company experiences significant variances in its transaction prices.

Many of the Company's contracts with customers include variable consideration, which can include liquidated damage provisions, rebates and volume and early payment discounts. Some of the contracts with customers contain clauses for liquidated damages related to the timing of delivery or milestone accomplishments, which could become material in an event of failure to meet the contractual deadlines. At the inception of the arrangement and on an ongoing basis, the Company evaluates the probability and magnitude of having to pay liquidated damages. The Company estimates variable consideration using the expected value method, taking into consideration contract terms, historical customer behavior and historical sales. In the case of liquidated damages, the Company also takes into consideration progress towards meeting contractual milestones, including whether milestones have not been achieved, specified rates, if applicable, stated in the contract, and the history of paying liquidated damages to the customer or similar customers. Variable consideration is included in the transaction price if, in management's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

In the normal course of business, the Company does not accept product returns unless the item is defective as manufactured. The Company establishes provisions for estimated returns and warranties. In addition, the Company does not typically provide customers with the right to a refund.

Hardware revenues are recognized at a point in time. Transfer of control is typically at the time of shipment, receipt by the customer, or, if applicable, upon receipt of customer acceptance provisions. The Company recognizes revenue prior to receipt of customer acceptance for hardware in cases where the customer acceptance provision is determined to be a formality. Transfer of control would not occur until receipt of customer acceptance in hardware arrangements where such provisions are subjective or where the Company does not have a history of meeting the acceptance criteria.

Perpetual software licenses are considered to be a right to use intellectual property and are recognized at a point in time. Transfer of control is considered to be at the point at which it is available to the customer to download and use or upon receipt of customer acceptance. In certain contracts, software licenses may be sold with professional services that include implementation services that include a significant service of integrating, customizing or modifying the software. In these instances, the software license is combined into a single performance obligation with the implementation services and recognized over time as the implementation services are performed or, if applicable, upon receipt of customer acceptance provisions.

Hardware and software licenses (when not combined with professional services) are typically billed when shipped and revenue recognized at a point-in-time. As a result, the timing of revenue recognition and invoicing does not have a significant impact on contract assets and liabilities.

Professional services, which include implementation, project management, installation, and consulting services are recognized over time. The Company measures progress towards satisfying these performance obligations using input methods, most commonly based on the costs incurred in relation to the total expected costs to provide the service. The Company expects this method to best depict its performance in transferring control of services promised to the customer or represents a reasonable proxy for measuring progress. The estimate of expected costs to provide services requires judgment. Cost estimates take into consideration past history and the specific scope requested by the customer and are updated quarterly. The Company may also offer professional services on a stand-ready basis over a specified period of time, in which case revenue would be recognized ratably over the term. Invoicing of these services is commensurate with performance and occurs on a monthly basis. As such, these services do not have a significant impact on contract assets and contract liabilities. Services, including professional services, are commonly billed on a monthly basis in arrears and typically result in an unbilled receivable, which is not considered a contract asset as the Company's right to consideration is unconditional.

Certain revenue arrangements include extended or noncustomary warranty provisions that cover all or a portion of a customer's replacement or repair costs beyond the standard or customary warranty period. Whether or not the extended warranty is separately priced in the arrangement, such warranties are considered to be a separate good or service, and a portion of the transaction price is allocated to this extended warranty performance obligation. This revenue is recognized, ratably over the extended warranty coverage period.

Hardware and software post-sale maintenance support fees are recognized over time, ratably over the life of the related service contract. Shipping and handling costs and incidental expenses billed to customers are recognized as revenue, with the associated cost charged to cost of revenues. The Company recognizes sales, use, and value added taxes billed to customers on a net basis.

Payment terms with customers can vary by customer; however, amounts billed are typically payable within 30 to 90 days, depending on the destination country.

The Company incurs certain incremental costs to obtain contracts with customers, primarily in the form of sales commissions. Where the amortization period is one year or less, the Company has elected to apply the practical expedient and recognize the related commissions as an expense when incurred.

2.5 Accounting for Business and Assets Acquisitions

The Company evaluates each transaction in order to determine if the assets acquired constitute a business. The evaluation consists of consideration of the inputs, processes, and outputs acquired. For assets acquired in transactions that do not meet the definition of a business, the full fair value of the consideration given is allocated to the assets acquired based on their relative fair values, and no goodwill is recognized.

The Company uses the acquisition method of accounting to account for business combinations. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition, including intangible assets that can be identified. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired. Among other sources of relevant information, the Company uses independent appraisals and actuarial or other valuations to assist in determining the estimated fair values of the assets and liabilities acquired.

2.6 Cash and Cash Equivalents
The Company considers all highly liquid investments purchased with an original maturity or remaining maturity at the date of purchase of three months or less to be cash equivalents.

2.7 Restricted Cash
From time to time, the Company is required to maintain cash balances that are restricted in order to secure certain bank guarantees.

Restricted cash is generally deposited in bank accounts earning market rates; therefore, the carrying value approximates fair value. Such cash is excluded from cash and cash equivalents in the Consolidated Balance Sheets.

2.8 Derivative Instruments
The Company's activities expose it to the financial risks of changes in foreign exchange rates. The Company uses derivative financial instruments, primarily foreign currency forward contracts, to economically hedge specific substantial foreign currency payments and receipts. Derivatives are not used for trading or speculative purposes.

The Company enters into foreign exchange derivative contracts to economically hedge the risks associated with foreign currency transactions and minimize the impact of changes in foreign currency exchange rates on earnings. Derivative instruments that the Company uses to economically hedge these foreign denominated contracts include foreign exchange forward contracts. Revaluation gains and losses on these foreign currency derivative contracts are recorded within cost of revenue in the Consolidated Statements of Operations.

All derivative instruments are recorded on the Consolidated Balance Sheet at fair value on the date the derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The Company does not apply hedge accounting and, therefore, changes in the fair value of all derivatives are recognized in cost of revenue during the period. The fair value of derivative instruments is presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Cash collateral payables and receivables associated with derivative instruments are not added to or netted against the fair value amounts. The Company classifies cash flows from its derivative programs as cash flows from operating activities in the Consolidated Statement of Cash Flows.

The fair values of the Company's derivative instruments are determined using the fair value measurements of significant other observable inputs, as defined by ASC 820, "Fair Value Measurements and Disclosures". The Company uses observable market inputs based on the type of derivative and the nature of the underlying instrument. When appropriate, the Company adjusts the fair values of derivative instruments for credit risk, which is a risk of loss due to the failure by either the Company or counterparty to meet its contractual obligations, considering the credit risk of all parties, as well as any collateral pledged.

2.9 Concentrations of Credit Risk
Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily accounts receivable, cash and cash equivalents and derivative instruments.

The Company performs ongoing credit evaluations of its customers and, in general, does not require collateral from its customers.

The Company maintains cash and cash equivalents with various financial institutions that management believes to be of high credit quality. These financial institutions are located in many different locations throughout the world. The Company's cash equivalents are primarily comprised of cash deposited in checking and money market accounts. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk.

The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which a counterparty's obligations exceed the obligations of the Company with that counterparty.

2.10 Fair Value Measurement

The Company accounts for certain assets and liabilities at fair value. Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, emphasizing that fair value is a market-based measurement and not an entity-specific measurement. These valuation techniques include the market approach, income approach and cost approach. The income approach involves converting future cash flows to a single present amount. The measurement is valued based on current market expectations about those future amounts. The market approach uses observable market data for identical or similar assets and liabilities while the cost approach would value the cost that a market participant would incur to develop a comparable asset.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The fair value measurement involves various valuation techniques and models, which involve inputs that are observable, when available, and include derivative financial instruments and long-term debt.

2.11 Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are initially recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for probable losses inherent in its trade accounts receivable portfolio at the balance sheet date. The allowance is maintained at a level which the Company considers to be adequate and is based on ongoing assessments and evaluations of the collectability and historical loss experience of accounts receivable. The allowance is established through the provision for doubtful accounts, which is charged to income. Credit losses are charged, and recoveries are credited to the allowance. Account balances are written-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The allowance is based on the Company's review of the historical credit loss experience and such factors that, in management's judgment, deserve consideration under existing economic conditions in estimating probable credit losses. Management considers, among other factors, historical losses, current receivables aging, periodic credit evaluation of its customers' financial condition, and existing industry and national economic data.

From time to time, the Company may sell certain accounts receivable to third party financial institutions under the factoring arrangements with these financial institutions.

Under the terms of these agreements, the Company transfers the receivables in an outright sale, with no recourse, and no continued involvement with the assets transferred. The Company records such transfers as sales of accounts receivable when it is considered to have surrendered control of such receivables.

2.12 Inventories

Inventories are stated at the lower of cost (which approximates cost determined on a weighted average basis) or net realizable value. The costs include direct materials, labor, and an appropriate portion of fixed and variable overhead expenses and are assigned to inventories using the weighted average method. The Company writes down the value of inventories for estimated excess and obsolete inventories based upon historical trends, technological obsolescence, assumptions about future demand and market conditions.

2.13 Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized on a straight-line basis over the estimated useful life of the related asset, with the exception of leasehold improvements which are amortized over the shorter of the asset's useful life or the term of the lease, and network equipment which is depreciated over the shorter of the useful life of the asset or the life of the customer contract under which the equipment is deployed. The estimated useful lives are as follows:

Item	Years
Land	no depreciation
Buildings	20–40
Network equipment	5–10
Machinery and equipment	5–10
Vehicles and other equipment	3–10
Construction in progress	no depreciation

Repairs and maintenance are expensed as incurred, while major renovations and improvements are capitalized as property, plant and equipment and depreciated over their estimated useful lives. Gains or losses on disposals are included in the Consolidated Statements of Operations at amounts equal to the difference between the net book value of the disposed assets and the proceeds received upon disposal.

2.14 Goodwill
Goodwill is tested for impairment annually in the fourth quarter of each financial year or more often if an event or circumstance indicates that an impairment may have occurred.

When evaluating goodwill for impairment, the Company uses either a qualitative or quantitative assessment method for each reporting unit. The qualitative assessment involves determining, based on an evaluation of qualitative factors, if it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on this qualitative assessment, it is determined to be more likely than not that the reporting unit's fair value is less than its carrying value or the Company elects not to perform the qualitative assessment for a reporting unit, the Company proceeds to perform a quantitative impairment assessment.

Since the financial year ended March 31, 2017, the Company early adopted the simplified quantitative impairment test, prescribed by ASU 2017-14. The simplified quantitative impairment test compares the fair value of a reporting unit (based on the income approach whereby the fair value is calculated based on the present value of future cash flows) with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the Company records an impairment charge equal to the difference.

2.15 Intangible Assets with Finite Lives
Intangible assets with finite lives, principally customer contracts and relationships, are amortized on a straight-line basis over their estimated useful lives, ranging from three to twenty years, which management has determined is the methodology best reflective of the expected benefits arising from the intangibles. The Company believes that the straight-line method is appropriate as these relationships are generally distributed over a long period of time and historical experience from each acquired entity has indicated a consistent experience with each customer.

Intangible assets with finite lives and property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where such indicators exist, the Company first compares the undiscounted cash flows expected to be generated by the asset (or asset group) to the carrying value of the asset (or asset group). If the carrying value of the long-lived asset exceeds the future undiscounted cash flows to be generated by the asset (or asset group), an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and assistance by third-party independent appraisals, as considered necessary.

2.16 Investments
Investments in Affiliated Companies
Each reporting period, the Company reviews all equity method investments to determine whether a significant event or change in circumstance has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, the Company evaluates the fair value compared to the carrying amount of the investment. Management's assessment of fair value is based on valuation methodologies using discounted cash flows, EBITDA and revenue multiples, as appropriate.

In the event the fair value of an investment declines below the carrying amount, the Company determines if the decline in fair value is other than temporary. If the Company determines the decline is other than temporary, an impairment charge is recorded. The Company's assessment as to the nature of a decline in fair value is based on, among other things, the length of time and the extent to which the market value has been less than its cost basis, the financial condition and near-term prospects of the entity, and the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Other investments

Other investments include participation in other entities where the Company does not have the power to exercise a significant influence nor to exercise control. Other investments without readily determinable fair values are accounted at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer.

2.17 Warranty

The Company offers standard warranties on its metering products and its solution products for periods ranging from one to five years. In some instances, warranty periods can be further extended based on customer specific negotiations. Standard warranty provision represents the Company's estimate of the cost of projected warranty claims and are based on historical and projected warranty trends, specific quality issues identified (if any), supplier information and other business and economic projections. If the Company's quality control processes fail to detect a fault in a product, the Company could experience an increase in warranty claims.

The Company tracks warranty claims to identify potential product specific design or quality issues. If an unusual trend is noted, an additional warranty provision may be recorded when a product failure is probable, and the cost can be reasonably estimated. Management continually evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. The calculation of the warranty provision requires management to make estimates with respect to projected failure rates, as well as material, labor and other cost to be incurred in order to satisfy the Company's warranty commitments. As a result, actual warranty costs incurred in the future could differ significantly from the provision. The long-term warranty balance includes estimated warranty claims beyond one year. Warranty expense is included within Cost of revenue in the Consolidated Statements of Operations.

2.18 Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Any such provision is generally recognized on an undiscounted basis using the Company's best estimate of the amount of loss incurred or at the lower end of an estimated range when a single best estimate is not determinable. Changes in these factors and related estimates could materially affect the Company's financial position, results of operations, and cash flows.

The Company has asset retirement obligations ("ARO") arising from contractual requirements to remove certain leasehold improvements at the time that the Company vacates leased property. The liability is initially measured on the date of executing the lease agreement at fair value, and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. In determining the fair value of the ARO, the Company has considered, among other factors, the estimated cost to remove the assets based on consultations with, and written estimates from, third party contractors, the expected settlement dates, ranging from financial year ending March 31, 2020 to 2026, and an effective interest rate, which for the Company is driven based on the credit-adjusted risk-free rate. The corresponding AROs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the shorter of the asset's remaining useful life or the lease term. The Company classifies such liabilities in Other long-term liabilities on the Consolidated Balance Sheets.

Legal costs incurred in connection with loss contingencies are expensed as incurred.

Accruals for estimated losses from environmental remediation obligations, excluding AROs, generally are recognized no later than completion of the remediation feasibility study. Such accruals are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from third parties, which are probable of realization, are separately recorded as assets, and are not offset against the related environmental liability.

2.19 Employee Benefit Plans
The Company accounts for employee and retirement benefits in accordance with ASC 715, "Compensation – Retirement Benefits".

Employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required, and the liability can be estimated reliably. Liabilities recognized in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognized in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

Retirement benefits
The Company contributes, in accordance with legal and statutory requirements, to various statutory defined benefit and defined contribution pension plans. In addition, the Company sponsors various post-retirement benefit plans that provide medical benefits to retired participants.

The Company records annual amounts relating to its defined benefit plans and post-retirement plans based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality table assumptions, assumed rates of return, compensation increases, turnover rates and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in other comprehensive income/(loss). The unrecognized amounts recorded in accumulated other comprehensive income are subsequently recognized as expense on a straight-line basis only to the extent that they exceed 10% of the higher of the market-related value or the projected benefit obligation, over the average remaining service period of active participants.

In addition to the defined benefit pension plans and post-retirement benefits plans, the Company also sponsors various employee retirement savings plans in which employees of certain subsidiaries are eligible to participate. Each plan provides for employee contributions as well as matching contributions by the Company. The Company recognizes an expense for matching contributions to defined contribution plans as they are incurred.

2.20 Income Taxes
Income taxes are based on the laws and rates in effect in the countries in which operations are conducted or in which the Company or its subsidiaries are considered resident for income tax purposes.

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income taxes are recorded for temporary differences between the financial reporting basis and tax basis of assets and liabilities in each of the taxing jurisdictions in which the Company operates. These deferred taxes are measured using the tax rates expected to be in effect when the temporary differences reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated each period to determine whether or not it is more likely than not that they will be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. Valuation allowances are established where it is considered more likely than not that the Company will not realize the benefit of such assets.

Valuation allowances are reviewed each period on a tax jurisdiction by tax jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets.

The Company accounts for uncertain tax positions in accordance with ASC 740, “Income Taxes”, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based solely on the technical merits of the position.

The Company recognizes interest expense and penalties accrued related to unrecognized tax benefits in the provision for income taxes. Accrued interest and penalties are included within the related tax liability caption in the Consolidated Balance Sheets.

2.21 Foreign Currencies

The reporting currency of Landis+Gyr is the U.S. dollar. The functional currency of most of the Company’s subsidiaries is the applicable local currency. The translation from the applicable functional currencies into the Company’s reporting currency is performed for Balance Sheet accounts using exchange rates in effect at the balance sheet date, and for Statement of Operations and Statement of Cash Flows using average exchange rates prevailing during the year. The resulting translation adjustments are excluded from earnings and are recognized in accumulated other comprehensive income/(loss) until the entity is sold, substantially liquidated or evaluated for impairment in anticipation of disposal.

Foreign currency exchange gains and losses, such as those resulting from foreign currency denominated receivables or payables, are included in the determination of earnings with the exception of inter-company loans that are long-term investment in nature with no reasonable expectation of repayment, which are recognized in other comprehensive income.

2.22 Leases

The Company leases primarily real estate, office equipment and company cars. Rental expense for operating leases is recorded on a straight-line basis over the life of the lease term. Lease transactions where substantially all risks and rewards incidental to ownership are transferred from the lessor to the lessee are accounted for as capital leases. All other leases are accounted for as operating leases. Amounts due under capital leases are recorded as a liability. The interest in assets acquired under capital leases is recorded as property, plant and equipment. Depreciation and amortization of assets recorded under capital leases is included as depreciation and amortization expense.

2.23 Research and Development Costs

Research and development costs primarily consists of salaries and payroll taxes, third party contracting fees, depreciation and amortization of assets used in R&D activities, and other overhead infrastructure costs. Research and development activities primarily consist of the development and design of new meters, network equipment and related software and are expensed as incurred.

2.24 Advertising

Advertising costs are expensed as incurred. Advertising expenses included in Sales and marketing expenses were USD 5.1 million and USD 5.5 million, respectively, for the financial years ended March 31, 2019 and March 31, 2018.

2.25 Earnings per Share

ASC 260, “Earnings per Share”, requires entities to present both basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year plus all dilutive potential common shares outstanding. Potentially dilutive shares that are anti-dilutive are excluded from the diluted earnings per share calculation.

As of March 31, 2019 and 2018, the Company had no dilutive shares outstanding.

2.26 Share-based Compensation

In April 2018, the Company introduced a new share-based long-term incentive plan (“LTIP”) providing the members of the Group Executive Management and other eligible key managers with a possibility to receive shares in the Company, subject to certain conditions. The LTIP consists of two components that are weighted equally: (i) a component with a market condition, that is based on the total shareholders’ return (“TSR”) measured over three years relative to the Swiss Performance Index (“SPI”), summarized under the heading Performance Share Plan PSP-TSR, and (ii) a component with a performance condition that is based on the Company’s fully diluted earnings per share (“EPS”) performance, summarized under the heading Performance Share Plan PSP-EPS.

Share-based compensation expense is recognized and measured based on the guidance codified in the Compensation – Stock Compensation Topic of FASB ASC (“ASC 718”).

The fair value of performance stock units (“PSUs”) granted under the PSP-TSR is estimated using the Monte Carlo simulation methodology. The Monte Carlo simulation input assumptions are determined based on available internal and external data sources. The risk-free rate is interpolated from country-specific government sovereign debt yields derived from Bloomberg as of the valuation date matching the measurement period. The expected volatility of the share price returns is based on the historic volatility of daily share price returns of the Company, derived from Bloomberg and measured over a historical period matching the performance period of the awards. The dividend yield is based on the expected dividend yield over the expected term of the awards granted.

The fair value of performance stock units granted under the PSP-EPS is determined based on the closing share price of the Company’s share at the day preceding the grant date less the present value of expected dividends.

The Company recognizes stock-based compensation costs considering estimated future forfeiture rates. The latter are reviewed annually or whenever indicators are present that actual forfeitures may differ materially from previously established estimates.

Total compensation costs for the PSP-EPS, and for the PSP-TSR, is recognized on a straight-line basis over the requisite service period for the entire award (see Note 22: Share-based compensation).

2.27 Recent Accounting Pronouncements
Applicable for future periods
In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended to include codification improvements and practical expedients in transition. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Statement of Operations.

The new standard is effective for the Company on April 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either the beginning of the earliest comparative period presented in the financial statements as its date of initial application or, as practical expedient, its effective date. The Company expects to use the effective date as its date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before April 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Company expects to elect the ‘package of practical expedients’, which permits not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs.

The Company expects that this standard will have a material effect on its Consolidated Financial Statements. While management continues to assess all of the effects of adoption, it currently believes the most significant effects relate to the recognition of new ROU assets and lease liabilities on the Consolidated Balance Sheet for the Company’s office and equipment operating leases and providing significant new disclosures about leasing activities of the Company.

The Company currently expects the update will result in the increase of both total assets and total liabilities between USD 40 million and USD 50 million.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits a company to reclassify the disproportionate income tax effects of the 2017 Act on items within accumulated other comprehensive income (AOCI) to retained earnings. The FASB refers to these amounts as “stranded tax effects.” The ASU also requires certain new disclosures, some of which are applicable for all companies. This ASU is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The requirements of the amended guidance should be applied on a retrospective basis to each period (or periods) in which the income tax effects of the 2017 Act related to items remaining in AOCI are recognized, or at the beginning of the period of adoption. The Company currently intends to adopt the new standard as of April 1, 2019 and is currently in the process of evaluating the effect that the amendments will have on its Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, amending the accounting for the impairment of financial instruments, including trade receivables. The new guidance requires the use of a “current expected credit loss” model for most financial assets. Under the new model, an entity recognizes as an allowance its estimate of expected credit losses, rather than the current methodology requiring delay of recognition of credit losses until it is probable a loss has been incurred. The ASU is effective for financial years beginning after December 15, 2020, with early adoption permitted. The requirements of the amended guidance should be applied using a modified retrospective approach except for debt securities, which require a prospective transition approach. The Company currently intends to adopt the new standard as of April 1, 2021 and is currently in the process of evaluating the effect that the amendments will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates the requirements to disclose the amount of and reasons for transfers between Level 1 and 2 of the fair value hierarchy, the timing of transfers between levels and the Level 3 valuation process, while expanding the Level 3 disclosures to include the range and weighted average used to develop significant unobservable inputs and the changes in unrealized gains and losses on recurring fair value measurements. This update is effective for the Company for annual and interim periods beginning April 1, 2020, with early adoption permitted. The changes and modifications to the Level 3 disclosures are to be applied prospectively, while all other amendments are to be applied retrospectively. The Company is currently evaluating the impact of this update on its disclosures but does not expect that it will have a material effect on its Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans, which removes certain disclosures relating to (i) amounts expected to be recognized in net periodic benefit cost over the next twelve months, (ii) plan assets expected to be returned to the Company, (iii) a one-percentage-point change in assumed health care costs, and (iv) related parties, including insurance and annuity contracts. It clarifies the disclosure requirements for both the projected and accumulated benefit obligations, as well as requiring additional disclosures for cash balance plans and explanations for significant gains and losses related to changes in the benefit obligations. This update is effective for the Company on April 1, 2020 on a retrospective basis, with early adoption permitted. This update will modify the Company's disclosures but will not have a material effect on its Consolidated Financial Statements.

Recently Adopted Accounting Pronouncements
As of April 1, 2018, the Company adopted a new accounting standard for recognizing revenues from contracts with customers ("ASC 606"). The new standard, which supersedes substantially all previously existing revenue recognition guidance, provides a single comprehensive model for recognizing revenues on the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services.

The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of April 1, 2018. The Company's results for reporting periods beginning April 1, 2018 or later are presented under this guidance while prior periods are not retrospectively adjusted and are presented in accordance with the Company's previous accounting policy under ASC Topic 605. The Company identified insignificant differences in some multiple deliverables arrangements where the variable consideration is currently allocated to one or more but not to all deliverables, whereas, according to the new guidance, it should be allocated to all performance obligations. Furthermore, the Company identified certain incremental costs to obtain contracts with customers, which would have been eligible for capitalization under ASC 606. The impact to revenues and earnings for the financial year ended March 31, 2018 was immaterial as a result of applying ASC 606. Refer to the updated Revenue Recognition accounting policy described above and Note 5: Revenue for additional disclosure regarding the Company's revenues from contracts with customers and the adoption of ASC 606.

In April 2018, the Company adopted an accounting standard update which changes how employers that sponsor defined benefit pension plans and other post-retirement plans present the net periodic benefit cost in the income statement. Under this standard, the Company is required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations. This update was applied retrospectively for the presentation requirements. For the financial year ended March 31, 2018, the Company reclassified USD 3.8 million of income and presented it outside of income from operations relating to net periodic pension costs.

Effective April 1, 2018, the Company adopted ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740), which removes the prohibition in Topic 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. Under ASU 2016-16, the selling entity is required to recognize a current tax expense or benefit upon transfer of the asset. Similarly, the purchasing entity is required to recognize a deferred tax asset or deferred tax liability, as well as the related deferred tax benefit or expense, upon receipt of the asset. The resulting deferred tax asset or deferred tax liability is measured by computing the difference between the tax basis of the asset in the buyer's jurisdiction and its financial reporting carrying value in the consolidated financial statements and multiplying such difference by the enacted tax rate in the buyer's jurisdiction. This update was applied with a modified retrospective transition method and it did not impact the Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The standard clarifies how certain cash receipts and cash payments, including debt prepayment or extinguishment costs, the settlement of zero coupon debt instruments, contingent consideration paid after a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization, should be presented and classified in the Statement of Cash Flows. This update was applied as of April 1, 2018 and had no impact on the Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) – Clarifying the Definition of a Business, which narrows the definition of a business. It also provides a framework for determining whether a set of transferred assets and activities involves a business. This update was applied as of April 1, 2018 and had no impact on the Consolidated Financial Statements.

In May 2017, the FASB issued ASU 2017-09, Scope of Modification Accounting (stock compensation – topic 718), which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under this update, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. This Company adopted this update on April 1, 2018 and applied to awards modified on or after this date with no impact on the Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities, which requires entities to measure all investments in equity securities at fair value and recognize any changes in fair value within the statement of operations. Under the standard, equity investments that do not have readily determinable fair values are eligible for a measurement alternative that allows for these investments to be recorded at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company adopted ASU 2016-01 on April 1, 2018. Adoption of ASU 2016-01 had no effect on the Company's Consolidated Financial Statements.

NOTE 3: SHAREHOLDER'S EQUITY

At March 31, 2019 and 2018, the capital structure reflected 29,510,000 authorized, registered and issued ordinary shares with restricted transferability. The restricted transferability is related to the fact that the Board of Directors can reject a shareholder not disclosing the beneficial owner.

Registered ordinary shares carry one vote per share, as well as the right to dividends.

Conditional share capital

The share capital of the Company may be increased by up to CHF 4,500,000 by issuing up to 450,000 fully paid up registered shares with a nominal value of CHF 10 each, upon the exercise of option rights or in connection with similar rights regarding shares granted to officers and employees at all levels of the Company and its group companies according to respective regulations and resolutions of the Board of Directors. This conditional share capital has been approved and is available for use. As of March 31, 2019, and March 31, 2018 no shares were issued from this conditional share capital.

Reverse Stock Split

On July 11, 2017, in connection with the mentioned Initial Public Offering, the Company's Shareholders approved an amendment to the Company's Certificate of Incorporation to effect a 10-for-1 reverse stock split of the Company's shares of common stock effective on July 12, 2017 (the "Reverse Stock Split").

As result of the Reverse Stock Split, every 10 shares of the Company's then outstanding common stock was combined and automatically converted into one share of the Company's common stock, par value CHF 10 per share. Proportionate voting rights and other rights of common stockholders were not affected by the Reverse Stock Split, other than as a result of the rounding of fractional shares, as no fractional shares were issued in connection with the Reverse Stock Split. All share, per share and capital stock amounts for all periods presented have been restated to give effect to the Reverse Stock Split.

IPO recognition bonus

In relation to the mentioned IPO, the Chairman and some members of senior management were granted a bonus, in recognition of their efforts and to provide them with an equity stake in the Company to support its long-term performance (the "Recognition Bonus"). The Recognition Bonus comprised a share and a cash portion, both funded by the former Shareholders. The share portion consisted of 81,945 fully vested shares of common stock which were set aside prior to the IPO. Because the award is fully vested and includes no future service requirements, in the financial year ended March 31, 2018, the Company recognized USD 6.6 million for the share portion and USD 3.3 million for the cash portion. Both amounts are included within General and administrative expenses in the Consolidated Statements of Operations and recognized as an increase in additional paid-in capital in the Consolidated Statements of Changes in Shareholders' Equity, because the award was funded by the former Shareholders.

Treasury shares

From time to time, the Company may repurchase shares of its common stock under programs authorized by the Board of Directors. Share repurchases are made in the open market and in accordance with applicable securities laws. Shares repurchased are displayed separately as treasury shares in the Consolidated Financial Statements.

On January 29, 2019, the Company announced its intention to execute a share buyback programme amounting to a maximum value of CHF 100 million during a period of up to 36 months for the purpose of a capital reduction (the "Buyback programme"). The implementation of the Buyback programme depends on market conditions. The Buyback programme lasts from January 30, 2019 to January 28, 2022 at the latest. The Company reserves the right to terminate the Buyback programme at any time and has no obligation to acquire its own registered shares as part of the Buyback programme. The Board of Directors of Landis+Gyr intends to request one or more capital reductions from future general meetings by cancelling the registered shares repurchased under the Buyback programme.

In the financial year ended March 31, 2019, the Company purchased an aggregate of 204,590 of its own shares on the open market resulting in an increase in treasury stock of USD 12.7 million. In addition, the Company distributed 5,916 shares, out of the treasury stock, during the financial year ended March 31, 2019, as a compensation-in-kind to the members of the Board of Directors, in line with the Board of Directors Remuneration Policy.

Dividend

At the Annual General Meeting of Shareholders on June 28, 2018, shareholders approved the proposal of the Board of Directors to distribute CHF 2.30 per share to shareholders. The declared dividend amounted to CHF 67.9 million (USD 68.4 million at the exchange rate prevailing at June 28, 2018) and was paid in July 2018.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive loss (AOCL) of Landis+Gyr Group AG consist of:

	MARCH 31,	
USD in thousands	**2019**	2018
Foreign currency translation adjustments, net of tax	(35,608)	(21,244)
Pension plan benefits liability adjustments, net of taxes of $2,693 and $1,931 as of March 31, 2019 and March 31, 2018, respectively	(16,537)	(14,310)
Accumulated other comprehensive income (loss)	**(52,145)**	**(35,554)**

The following tables present the reclassification adjustments in accumulated other comprehensive loss by component:

USD in thousands	**Defined benefit pension items**	**Foreign currency items**	**Total**
Beginning balance, April 1, 2018	**(14,310)**	**(21,244)**	**(35,554)**
Other comprehensive income (loss) before reclassifications	(1,451)	(14,364)	(15,815)
Amounts reclassified from accumulated other comprehensive income	(776)	–	(776)
Net current-period other comprehensive income (loss)	(2,227)	(14,364)	(16,591)
Ending balance, March 31, 2019	**(16,537)**	**(35,608)**	**(52,145)**

USD in thousands	**Defined benefit pension items**	**Foreign currency items**	**Total**
Beginning balance, April 1, 2017	**(26,945)**	**(26,985)**	**(53,930)**
Other comprehensive income (loss) before reclassifications	13,279	5,741	19,020
Amounts reclassified from accumulated other comprehensive income	(644)	–	(644)
Net current-period other comprehensive income (loss)	12,635	5,741	18,376
Ending balance, March 31, 2018	**(14,310)**	**(21,244)**	**(35,554)**

The pension plan benefits liability adjustment, net of taxes, in the AOCL changed by USD (2.2) million and USD 12.6 million in the financial years ended March 31, 2019 and March 31, 2018, respectively. These changes represent the movement of the current year activity including the reclassified amounts from accumulated other comprehensive income to net income:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Amortization of actuarial loss / (gain)	229	383
Amortization of prior service cost	(1,005)	(1,027)
Amounts reclassified from other comprehensive income to net income (1)	(776)	(644)
Net actuarial (loss) / gain	(2,198)	13,649
Prior service cost	(15)	–
Total before tax	**(2,989)**	**13,005**
Tax (expense) / benefit	762	(370)
Total other comprehensive income (loss) from defined benefit pension plans (net of tax) for the fiscal year ended March 31,	**(2,227)**	**12,635**

1) These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see Note 21: Pension and Post-retirement benefit plans for additional details).

NOTE 4: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise shares granted subject to certain conditions under the Company's share-based payment arrangements (see Note 22: Share-based compensation).

Treasury shares are not considered outstanding for share count purposes and they were excluded from the average number of ordinary shares outstanding for the purpose of calculating the basic and diluted earnings per share.

The following table sets forth the computation of basic and diluted earnings per share (EPS):

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands, except per share data	**2019**	2018
Basic earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	122,245	46,371
Weighted-average number of shares used in computing earnings per share	**29,489,321**	**29,510,000**
Basic earnings per share attributable to Landis+Gyr Group AG shareholders	**4.15**	**1.57**
Diluted earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	122,245	46,371
Weighted-average number of shares used in computing earnings per share	**29,489,321**	**29,510,000**
Effect of dilutive securities	–	–
Adjusted weighted-average number of shares outstanding	**29,489,321**	**29,510,000**
Diluted earnings per share attributable to Landis+Gyr Group AG shareholders	**4.15**	**1.57**

There were 90,810 potentially dilutive securities for the financial year ended March 31, 2019. For the financial year ended March 31, 2019, the effect of dilutive securities from the new share-based long-term incentive plan is nil and no incremental potentially dilutive securities were included in the computation of the adjusted weighted-average number of share outstanding. These stock-based awards could be dilutive in future periods.

NOTE 5: REVENUE

The following table provides information about contract assets and liabilities with customers:

USD in thousands	March 31, 2019	March 31, 2018
Contract assets	**1,259**	**–**
Advances from customers	4,789	3,611
Deferred revenue	48,937	60,518
Contract liabilities	**53,726**	**64,129**

Contract assets primarily relate to the Company's right to receive consideration for work completed but for which no invoice has been issued at the reporting date. Contract assets are transferred to receivables when rights to receive payment become unconditional.

Contract liabilities primarily relate to advances received on orders from customers as well as amounts invoiced to customers in excess of revenues recognized predominantly on long-term projects. Contract liabilities are reduced as work is performed and as revenues are recognized.

Of the contract liabilities as of March 31, 2018, the Company recognized revenue of USD 26.8 million during the financial year ended March 31, 2019.

Contract liabilities are included within Other current liabilities and Other non-current liabilities in the Consolidated Balance Sheets.

Transaction price allocated to the remaining performance obligations

Total transaction price allocated to remaining performance obligations represent committed but undelivered products and services for contracts and purchase orders at period end. Twelve-month remaining performance obligations represent the portion of total transaction price allocated to remaining performance obligations that we estimate will be recognized as revenue over the next 12 months. Total transaction price allocated to remaining performance obligations is not a complete measure of future revenues as the Company also receive orders where the customer may have legal termination rights but is not likely to exercise such rights.

Total transaction price allocated to remaining performance obligations related to contracts is approximately USD 797.1 million for the next twelve months and approximately USD 1,806.0 million for periods longer than 12 months. The total remaining performance obligations is comprised of product and services components. The services component relates primarily to maintenance agreements for which customers pay a full year's maintenance in advance, and services revenue is generally recognized over the service period. Total transaction price allocated to remaining performance obligations also includes the Company's extended warranty contracts, for which revenue is recognized over the warranty period, and hardware, which is recognized as units are delivered. The estimate of when remaining performance obligations will be recognized requires significant judgment.

Cost to obtain a contract and cost to fulfill a contract with a customer

Cost to obtain a contract and cost to fulfill a contract are capitalized and amortized using a systematic rational approach to align with the transfer of control of underlying contracts with customers.

As of March 31, 2019, the carrying balance of assets recognized from the cost incurred to obtain a contract was USD 1.5 million. This amount is included in Other long-term assets in the Consolidated Balance Sheets.

For the financial year ended March 31, 2019, the Company recognized USD 0.3 million amortization of capitalized cost incurred to obtain a contract. This amount is included within Sales and marketing expenses in the Consolidated Statements of Operations.

Disaggregation of revenue
The disaggregation of revenue into categories, which depict how revenue is affected by economic factors, is disclosed in Note 29: Segment Information.

NOTE 6: ACCOUNTS RECEIVABLE, NET

A summary of accounts receivable, net is as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Trade accounts receivable	342,729	283,692
Contract receivable	36,766	40,772
Allowance for doubtful accounts	(9,854)	(6,221)
Total trade accounts receivable, net	**369,641**	**318,243**
Less: current portion of accounts receivable, net	367,943	315,788
Long-term accounts receivable, net	**1,698**	**2,455**

The long-term portion of accounts receivable, net, is included in Other long-term assets in the Consolidated Balance Sheets.

The carrying amount of accounts receivable approximates their fair value. Normal credit terms are 30 to 90 days, averaging slightly more than 60 days.

Contract receivable amounts are recorded when revenues are recognized and rights to receive payment become unconditional, upon product shipment/installation or service delivery, and invoicing occurs at a later date. Generally, contract receivable amounts are invoiced within one week after month-end.

A summary of the provision for doubtful accounts activity is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Beginning balance	(6,221)	(4,725)
Provisions for doubtful accounts	(5,446)	(1,602)
Deductions, net of recoveries	1,813	106
Balance at March 31,	**(9,854)**	**(6,221)**

NOTE 7: INVENTORIES, NET

Inventories, net consist of the following:

	MARCH 31,	
USD in thousands	2019	2018
Raw material and supplies	94,852	90,496
Work in progress	7,739	6,874
Finished goods	40,611	36,298
Total inventories gross	**143,202**	**133,668**
Inventory reserve	(9,543)	(12,270)
Total inventories, net	**133,659**	**121,398**

NOTE 8: PREPAID EXPENSES AND OTHER CURRENT ASSETS

A summary of the prepaid expenses and other current assets balance is as follows:

	MARCH 31,	
USD in thousands	2019	2018
Prepaid expenses	10,866	9,594
Other tax receivables	8,514	7,190
Income tax receivables/advances	14,917	10,935
Others	20,501	17,644
Total prepaid expenses and other current assets	**54,798**	**45,363**

NOTE 9: PROPERTY, PLANT & EQUIPMENT

A summary of the property, plant & equipment balance is as follows:

	MARCH 31,	
USD in thousands	2019	2018
Land	3,342	3,819
Buildings	16,613	17,852
Network equipment (1)	147,309	189,627
Machinery and equipment	132,048	110,923
Vehicles and other equipment	70,109	97,184
Construction in progress	20,515	14,327
Total cost	**389,936**	**433,732**
Less accumulated depreciation	(247,878)	(269,332)
Property, plant and equipment, net	**142,058**	**164,400**

1) Network equipment is comprised of meters, and meter reading equipment that is deployed under various customer contracts of Landis+Gyr Technology Inc., a US based subsidiary of Landis+Gyr Group AG.

Total depreciation expense for the financial years ended March 31, 2019 and March 31, 2018 was USD 44.1 million and USD 47.5 million, respectively. The difference between the total change in accumulated depreciation and the depreciation expense of property, plant & equipment represents the effect from the disposal of assets and the change in exchange rates.

NOTE 10: ACQUISITIONS AND DIVESTMENTS

Intellihub

On May 31, 2018, the Company entered into an agreement with Pacific Equity Partners ("PEP"), an Australian private equity firm, to establish IntelliHUB Holdings Pty Ltd, a joint venture for the acquisition of Acumen, a metering service provider, formerly owned by Origin Energy Limited, an Australian energy retailer.

Under the agreement, the Company contributed all the 100 outstanding shares of its wholly owned subsidiary IntelliHUB Operations Pty Ltd ("IntelliHUB"), with net assets of USD 1.0 million previously included in the Asia Pacific reportable unit, and USD 19.1 million in cash, in exchange for 57.5 million shares, representing a 20.3% equity interest in the newly established entity.

On June 19, 2018, the date the transaction was completed, the Company derecognized IntelliHUB's assets and liabilities, as well as USD 7.5 million of allocated goodwill, representing the portion of the Asia Pacific reporting unit's goodwill being attributable to IntelliHUB based on relative fair values. The Company recorded USD 14.6 million gain on divestments, which is included within Other income (expense), net in the Consolidated Statement of Operations.

Upon divestment of IntelliHUB, the Company has entered into certain commercial agreements with the newly incorporated investee, for the sale of hardware and software licenses.

Sense

On January 16, 2019, the Company acquired a 3% equity interest in Sense Labs, Inc. ("Sense"), in exchange for USD 2 million in cash. Sense develops and provides electronic devices for analyzing electricity usage in households in the USA, as well as related application software.

NOTE 11: INTANGIBLE ASSETS, NET

The gross carrying amount, accumulated amortization, and impairments of the Company’s intangible assets, other than goodwill, are as follows:

March 31, 2019 (USD in thousands)	Gross asset	Accumulated amortization	Accumulated impairment	Carrying amount	Weighted average useful life (in years)
Finite Lived Intangibles:					
Trade name and trademarks	113,960	(52,616)	–	61,344	10
Order backlog	35,643	(35,643)	–	–	–
Customer contracts & relationships	421,647	(205,996)	–	215,651	10
Developed technologies	185,923	(119,722)	(11,166)	55,035	4
Total finite lived intangibles	**757,173**	**(413,977)**	**(11,166)**	**332,030**	

March 31, 2018 (USD in thousands)	Gross asset	Accumulated amortization	Accumulated impairment	Carrying amount	Weighted average useful life (in years)
Finite Lived Intangibles:					
Trade name and trademarks	113,960	(45,800)	–	68,160	11
Order backlog	40,902	(40,902)	–	–	–
Customer contracts & relationships	422,688	(181,929)	–	240,759	12
Developed technologies	187,336	(103,415)	(11,166)	72,755	6
Total finite lived intangibles	**764,886**	**(372,046)**	**(11,166)**	**381,674**	

The following table presents the line items within the Consolidated Statement of Operations that include amortization of intangible assets:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2019	2018
Cost of revenue	13,810	14,116
Research and development	2,567	2,727
Sales and marketing	31,619	32,305
General and administrative	751	670
Total	**48,747**	**49,818**

Estimated future annual amortization expense related to identified intangible assets for each of the five years, to March 31, 2024 and thereafter is as follows:

Fiscal year ending March 31, (USD in thousands)	Estimated annual amortization
2020	46,975
2021	45,884
2022	44,344
2023	43,910
2024	31,806
Thereafter	119,111
Total identifiable intangibles, net	**332,030**

NOTE 12: GOODWILL

Landis+Gyr has three reporting units with goodwill: Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific, which are also the Company's reportable segments.

Goodwill allocated to the reporting units was tested for impairment in the fourth quarter of the financial years 2017 and 2018, after the completion of the annual forecasting process.

The changes in the carrying amount of goodwill for the year ended March 31, 2019 and 2018, are as follows:

USD in thousands	Americas	EMEA	Asia Pacific	Total
Balance as of March 31, 2017	**1,133,350**	**196,817**	**31,000**	**1,361,167**
Currency translation adjustment	–	424	–	424
Balance as of March 31, 2018	**1,133,350**	**197,241**	**31,000**	**1,361,591**
Goodwill allocated to divestments	–	–	(7,497)	(7,497)
Balance as of March 31, 2019	**1,133,350**	**197,241**	**23,503**	**1,354,094**

NOTE 13: IMPAIRMENT OF INTANGIBLE ASSETS

At March 31, 2019 and 2018, the Company performed a quantitative goodwill impairment analysis that included an assessment of certain qualitative factors, the overall financial performance, macro-economic and industry conditions, as well as determining the fair value of the reporting units and comparing that fair value to the carrying values.

As a result of the assessment performed, no impairment charges were recorded in the financial years ended March 31, 2019 and March 31, 2018.

The Company's assessment that no impairment is required in EMEA and Asia Pacific assumes that trading conditions improve as planned and that the regions realize the cost cutting measures that have been put in place over the Company's planning period. The assumptions around market recovery and cost savings represent the Company's best estimate but the goodwill impairment analysis is sensitive to these assumptions.

NOTE 14: OTHER LONG-TERM ASSETS

The components of other long-term assets are as follows:

	MARCH 31,	
USD in thousands	2019	2018
Investments in affiliated companies	36,672	–
Other investments	2,000	–
Others	39,484	37,683
Total other long-term assets	**78,156**	**37,683**

Investments in Affiliated Companies

Since June 19, 2018 and resulting from the acquisition described in Note 10: Acquisitions and Divestments, the Company has a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark"). Spark, together with its subsidiaries, provides energy data management services in Australia. As of March 31, 2019, the carrying amount of the Company's share in Spark was USD 36.7 million.

The Company has elected to record its share of earnings from Spark on a three-month lag. For the financial year ended March 31, 2019, the Company's share of loss from Spark was USD 4.2 million, representing the investee's operations through December 31, 2018, including certain initial transaction costs incurred by the equity investee as part of merger and acquisition activities. The Company included this amount within Net loss from equity investments in the Consolidated Statements of Operations.

Other investments

Since January 16, 2019, the Company has a 3% equity interest in Sense Labs, Inc. ("Sense"). Sense develops and provides electronic devices for analyzing electricity usage in households in the USA, as well as related application software. As of March 31, 2019, the carrying amount of the Company's share in Sense was USD 2.0 million. The Company performed an impairment analysis that included an assessment of certain qualitative indicators. As a result of the assessment performed, no impairment charges were recorded in the financial year ended March 31, 2019.

NOTE 15: OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Warranty settlement liability	20,784	14,389
Contract liabilities	15,219	27,771
Tax payable	10,321	5,191
Others	35,114	22,304
Total other current liabilities	**81,438**	**69,655**

NOTE 16: LOANS PAYABLE

The components of the loans payable are as follows:

USD in thousands	**March 31, 2019**		March 31, 2018	
	Balance	**Weighted average interest rate**	Balance	Weighted average interest rate
Credit facility	80,000	3.2%	130,000	2.6%
Other borrowings from banks	10,661	9.1%	12,327	7.9%
Loans payable	**90,661**		**142,327**	

Credit Facility

On March 1, 2018, Landis+Gyr AG entered into an agreement (the "Credit Facility Agreement") for a USD 240 million revolving credit facility, provided by a bank syndicate led by UBS Switzerland AG. The purpose of the loan is to replace the former UBS Credit Facility (see below) and to fund the Company's working capital requirements.

The agreement has a maturity of five years and it provides that the Company, any time between 120 and 60 calendar days before the first and second anniversary of the commencement of the loan, may request two extensions of the facility, for an additional period of one year each. In the financial year ended March 31, 2019, the Company requested and obtained an extension for an additional period of one year.

Under the facility, the Company may borrow loans in U.S. Dollar, Euro, Swiss Franc and British Pound, with consecutive interest periods of one, three, six or twelve months, or other interest periods and currencies subject to the receipt of required approvals.

There may be a maximum of ten simultaneously outstanding loans with a minimum amount of USD 10 million each, or its approximate equivalent in other currencies. As of March 31, 2019, and March 31, 2018, the Company has drawn loans for a total amount of USD 80 million and USD 130 million, respectively.

As of March 31, 2019 and 2018, the credit facility's unused portion was USD 160 million and USD 110 million, respectively.

In general, borrowings under the revolving credit facility bear interest at a rate based on the London Interbank Offered Rate (LIBOR) in the case of borrowings in Swiss Franc, U.S. Dollar or British Pound, or on the Euro Interbank Offered Rate (EURIBOR) in case of borrowings in Euro, plus a margin ranging from 0.6% to 1.30% depending on the Net Senior Debt/EBITDA ratio calculated every half-year at March 31 and September 30.

The Company incurs a quarterly commitment fee equal to 35% of the applicable margin of the unused portion of the revolving credit facility, as well as an annual agency fee in the amount of USD 40 thousand. In addition, in the financial year ended March 31, 2018, the Company paid USD 840 thousand as an arrangement fee which was capitalized and recognized within Other long-term assets in the Company's Consolidated Balance Sheet. The Company is amortizing the arrangement fee over the facility's term.

The Credit Facility Agreement contains affirmative and negative covenants customarily found in loan agreements for similar transactions, subject to certain agreed exceptions, for the borrower and the Group, including with respect to, among other actions, maintaining the Group's business operations and assets, carrying out transactions with third parties at market conditions, ranking all obligations at least pari passu with present or future payment obligations, complying with laws and reporting obligations, and preparation of financial statements in accordance with US GAAP. The Credit Facility Agreement restricts, among other actions, the following, subject to certain exceptions: entering into certain acquisitions, mergers and joint ventures, carrying out material changes to the Group's activities or structure, changing its accounting standards, incurring further indebtedness, granting security for indebtedness, granting credit to third parties, and carrying out certain disposals of assets. The Credit Facility Agreement also contains a financial covenant requiring that the Group's Net Senior Debt (as defined therein) divided by EBITDA be less than 2.50x and its EBITDA be greater than zero, on a semi-annual rolling basis in respect of the most recent two semesters of the Group.

The Credit Facility Agreement contains events of default, which include, among others, payment defaults, breach of other obligations under the Agreement, cross-default, insolvency, material adverse change, or a material reservation of the auditors. Indebtedness under the Credit Facility Loan may be voluntarily prepaid in whole or in part, subject to notice, minimum amounts and break costs.

CHF Credit Facility

On February 27, 2019 Landis+Gyr AG entered into an agreement (the "CHF Credit Facility Agreement") with a bank syndicate led by UBS Switzerland AG, for a CHF 100 million revolving credit facility to be used for general corporate purposes.

The agreement has a maturity of five years and it provides that the Company, at any time between October 25, 2019 and December 20, 2019, may request an extension of the facility, for an additional period of one year.

Under the facility, the Company may borrow loans in Swiss Franc, with consecutive interest periods of one, two, three, six or twelve months, or other interest periods subject to the receipt of required approvals.

There may be a maximum of ten simultaneously outstanding loans with a minimum amount of CHF 10 million each. As of March 31, 2019, the Company has not drawn any loans from the CHF Credit Facility.

In general, borrowings under the CHF credit facility bear interest at a rate based on the London Interbank Offered Rate (LIBOR), plus a margin ranging from 0.6% to 1.30% depending on the Net Senior Debt/EBITDA ratio calculated every half-year at March 31 and September 30.

The Company incurs a quarterly commitment fee equal to 35% of the applicable margin of the unused portion of the revolving credit facility, as well as an annual agency fee in the amount of CHF 25 thousand.

In addition, in the financial year ended March 31, 2019, the Company paid USD 614 thousand as an arrangement fee which was capitalized and recognized within Other long-term assets in the Company's Consolidated Balance Sheet. The Company is amortizing the arrangement fee over the facility's term.

The CHF Credit Facility Agreement contains affirmative and negative covenants customarily found in loan agreements for similar transactions, subject to certain agreed exceptions, for the borrower and the Group, including with respect to, among other actions, maintaining the Group's business operations and assets, carrying out transactions with third parties at market conditions, ranking all obligations at least pari passu with present or future payment obligations, complying with laws and reporting obligations, and preparation of financial statements in accordance with US GAAP. The CHF Credit Facility Agreement restricts, among other actions, the following, subject to certain exceptions: entering into certain acquisitions, mergers and joint ventures, carrying out material changes to the Group's activities or structure, changing its accounting standards, incurring further indebtedness, granting security for indebtedness, granting credit to third parties, and carrying out certain disposals of assets. The Credit Facility Agreement also contains a financial covenant requiring that the Group's Net Senior Debt (as defined therein) divided by EBITDA be less than 2.50x and its EBITDA be greater than zero, on a semi-annual rolling basis in respect of the most recent two semesters of the Group.

The CHF Credit Facility Agreement contains events of default, which include, among others, payment defaults, breach of other obligations under the Agreement, cross-default, insolvency, material adverse change, or a material reservation of the auditors. Indebtedness under the CHF Credit Facility Loan may be voluntarily prepaid in whole or in part, subject to notice, minimum amounts and break costs.

UBS Credit Facility

On June 1, 2017, Landis+Gyr AG entered into an agreement (the "UBS Credit Facility Agreement") for a USD 215.0 million unsecured term loan provided by UBS Switzerland AG (the "UBS Credit Facility") for the repayment of the then existing Shareholder Loan from Toshiba Corporation (see below Note 17: Shareholder Loans).

The UBS Credit Facility was subject to interest payments based on the LIBOR for USD in addition to an interest margin of 0.80%. Interest was payable at the end of each interest period.

During the financial year ended March 31, 2018, the Company had drawn only one term loan (the "UBS Term Loan") under the UBS Credit Facility for the full amount of USD 215.0 million which was repaid on March 1, 2018 using cash and the proceeds from the Credit Facility Agreement.

NOTE 17: SHAREHOLDER LOANS

Upon the acquisition by Toshiba Corporation in 2011, the Company received a loan from Toshiba Corporation in the amount of USD 600.1 million. The loan had a stated interest rate equal to the 6-month LIBOR rate plus a margin of 2.5% per annum. Interest was payable on a semi-annual basis on January 31 and July 31. The principle loan installments were payable on a semi-annual basis on July 31 and January 31, starting on July 31, 2012.

On June 8, 2017, the Company repaid the shareholder loan without any pre-payment penalties.

NOTE 18: OTHER LONG-TERM LIABILITIES

The components of other long-term liabilities are as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Warranty settlement liability	–	23,142
Contract liabilities	38,507	36,358
Others	29,493	28,603
Total other long-term liabilities	**68,000**	**88,103**

NOTE 19: DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain currency risks arising from its global operating, financing and investing activities. The Company uses derivative instruments to reduce and manage the economic impact of these exposures. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) arising from transactions denominated in foreign currencies.

The gross notional amounts of outstanding foreign exchange contracts as of March 31, 2019 and March 31, 2018 were USD 216.4 million and USD 38.4 million, respectively.

For the financial year ended March 31, 2019 and 2018, the Company recognized gains (losses) from changes in the fair value of forward foreign exchange contracts of USD 0.3 million and USD (0.2) million, respectively. These amounts are included within cost of revenue in the Consolidated Statements of Operations.

The fair values of the outstanding derivatives, included in the Consolidated Balance Sheet as of March 31, 2019 and March 31, 2018, were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
March 31, 2019 (USD in thousands)	**Notional amount**	**Prepaid expenses and other – current**	**Other long-term assets**	**Other current liabilities**	**Other long-term liabilities**
Foreign exchange contracts:					
Foreign currency forward contracts in GBP	192,405	717	2,379	–	–
Foreign currency forward contracts in SEK	23,991	–	–	2,996	–
Total derivative financial instruments		**717**	**2,379**	**2,996**	**–**

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
March 31, 2018 (USD in thousands)	**Notional amount**	**Prepaid expenses and other – current**	**Other long-term assets**	**Other current liabilities**	**Other long-term liabilities**
Foreign exchange contracts:					
Foreign currency forward contracts in SEK	38,400	–	–	80	83
Total derivative financial instruments		**–**	**–**	**80**	**83**

NOTE 20: FAIR VALUE

The Company measures financial assets and liabilities at fair value. Foreign currency exchange contracts are measured at fair value on a recurring basis by means of various valuation techniques and models and the inputs used are classified based on the hierarchy outlined within the Company's significant accounting policies.

In addition, certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The valuation techniques and models utilized for measuring financial assets and liabilities are reviewed and validated at least annually.

Recurring Fair Value Measurements
At March 31, 2019, for each of the fair value hierarchy levels, the following assets and liabilities were measured at fair value on a recurring basis:

FAIR VALUE MEASUREMENTS

March 31, 2019 (USD in thousands)	Total	Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	3,096	–	3,096	–
Total	**3,096**	**–**	**3,096**	**–**
Liabilities				
Foreign currency forward contracts	2,996	–	2,996	–
Total	**2,996**	**–**	**2,996**	**–**

At March 31, 2018, for each of the fair value hierarchy levels, the following assets and liabilities were measured at fair value on a recurring basis:

FAIR VALUE MEASUREMENTS

March 31, 2018 (USD in thousands)	Total	Level 1	Level 2	Level 3
Liabilities				
Foreign currency forward contracts	163	–	163	–
Total	**163**	**–**	**163**	**–**

The fair value of the foreign currency forward exchange contracts has been determined by assuming that the unit of account is an individual derivative transaction and that derivative could be sold or transferred on a stand-alone basis. The foreign currency forward exchange contracts are classified as Level 2. The key inputs used in valuing derivatives include foreign exchange spot and forward rates, all of which are available in an observable market. The fair value does not reflect subsequent changes in the economy, interest and tax rates and other variables that may affect the determination of fair value.

As of March 31, 2019 and 2018, the Company had no asset or liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Fair Value of Financial Instruments
The fair value of the Company's financial instruments approximates carrying value due to their short maturities.

NOTE 21: PENSION AND POST-RETIREMENT BENEFIT PLANS

A large portion of the Company's employees are covered by defined benefit plans which are funded by the Company, the employees, and in certain countries, by state authorities. The Company has pension plans in various countries with the majority of the Company's pension liabilities deriving from Germany, the US and Switzerland. Such plans can be set up as state or company-controlled institutions, as contracts with private insurance companies, as independent trusts or pension funds. The benefits provided by such entities vary by country based on the legal and economic environment and primarily are based on employees' years of service and average compensation, covering the risks of old age, death and disability in accordance with legal requirements and the pension legislation in the respective countries.

Net periodic pension cost and the pension obligation of the Company's defined benefit plans are calculated based on actuarial valuations. Such valuations consider, inter alia, the years of service rendered by employees and assumptions about future salary increases. The latest actuarial valuations were performed for the defined benefit plans as of March 31, 2019 and using that as the measurement date.

The underlying actuarial assumptions are based on the actual local economic circumstances of the countries where the defined benefit plans are situated. The Company contributes to the employee benefit plans in accordance with applicable laws and requirements and the pension plan assets are invested in accordance with applicable regulations.

The following tables summarize the movement of the benefit obligation, plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for the defined benefit pension plans for the periods indicated in the tables below:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Change in benefit obligation:		
Benefit obligation at April 1,	291,929	288,485
Service cost	5,145	7,052
Interest cost	3,249	3,237
Employee contributions	3,233	3,580
Benefits paid	(468)	(1,347)
Assets distributed on settlements	(19,494)	(17,130)
Actuarial (gains) / losses	8,905	(8,312)
Curtailments	–	(34)
Termination benefits (1)	265	1,189
Liabilities extinguished on settlements	–	(169)
Plan amendments	15	–
Effect of changes in exchange rates	(12,287)	15,378
Benefit obligation at March 31,	**280,492**	**291,929**

1) Termination benefits include costs in connection with the restructuring initiatives in Switzerland and Greece.

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Change in plan assets:		
Fair value of plan assets at April 1,	250,346	234,286
Actual return on plan assets	13,636	12,647
Employer contributions	4,740	6,104
Employee contributions	3,233	3,580
Benefits paid	(19,494)	(17,130)
Effect of changes in exchange rates	(9,333)	10,859
Fair value of plan assets at March 31,	**243,128**	**250,346**
Funded status at March 31,	**(37,364)**	**(41,583)**
Accumulated benefit obligation	**275,986**	**287,164**

As of March 31, 2019, the net benefit obligation for the Company's underfunded plans was equal to USD 39.2 million, and net plan assets for the overfunded plans were equal to USD 1.8 million. As of March 31, 2018, the net benefit obligation for the Company's underfunded plans was equal to USD 44.4 million, and net plan assets for the overfunded plans were equal to USD 2.8 million.

Net periodic pension benefit costs for the Company's defined benefit plans include the following components:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Service cost	5,404	7,052
Operational pension cost	**5,404**	**7,052**
Interest cost	3,273	3,237
Termination benefits	265	1,189
Expected return on plan assets	(6,840)	(7,407)
Amortization of prior service costs	(1,005)	(1,027)
Amortization of actuarial loss (gain)	229	383
Settlements and curtailments	–	(176)
Non-operational cost (credit)	**(4,078)**	**(3,801)**
Net periodic benefit cost	**1,326**	**3,251**

Changes in plan assets and benefit obligations recognized in other comprehensive loss (pre-tax) are as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Net actuarial loss (gain)	2,198	(13,649)
Amortization of actuarial (loss) gain	(229)	(383)
Prior service cost	15	–
Amortization of prior service cost	1,005	1,027
Total change recognized in AOCL	**2,989**	**(13,005)**

The following represents the amounts included in accumulated other comprehensive loss related to the Company's defined benefit pension plans:

	MARCH 31,	
USD in thousands	**2019**	2018
Actuarial loss	26,611	24,642
Prior service cost	(7,611)	(8,631)
Deferred tax liability (assets)	(2,693)	(1,931)
Effect of changes in exchange rates	230	230
Total	**16,537**	**14,310**

The actuarial loss and the prior service cost expected to be recognized as components of the net periodic benefit cost over the financial year ending March 31, 2020 are USD 0.5 million cost and USD 1.0 million benefit, respectively. The Company expects to make contributions of USD 4.7 million to the defined benefit pension plans during the financial year ending March 31, 2020.

The weighted average assumptions used in accounting for the defined benefit pension plans are as follows:

	March 31, 2019	March 31, 2018
Weighted average assumptions to determine benefit obligations:		
Discount rate (1)	0.92%	1.18%
Expected rate of increase in future compensation (2)	1.18%	1.18%
Expected rate of increase in future pension benefits (3)	0.11%	0.11%
Weighted average assumptions to determine net periodic pension costs:		
Discount rate (1)	1.18%	1.12%
Expected long-term rate of return on plan assets (4)	2.89%	3.11%

1) The Company determined a discount rate for each individual defined benefit pension plan based on high quality corporate bonds with currency and duration matching the associated liabilities. Where there is no deep market for such bonds, government bonds with an appropriate spread are used.
2) The Company determined the expected rate of increase in future compensation levels based on expectation of expected inflation rates and merit-based increases.
3) The Company determined the expected rate of increase in future pension benefits based on expected inflation in the plans' national markets, if such increase is included in the plan benefits.
4) The expected rate of return on plan assets was determined on the basis of the weighted average expected return on plan assets. The Company's assessment of the expected returns is based on historical return trends for equities, real estate and other assets and analysts' predictions of the market for debt instruments. The assets do not include any financial instruments issued by the Company.

Holding all other assumptions constant, a 0.5-percentage point decrease in the discount rate would have increased the projected benefit obligation ("PBO") related to the defined benefit pension plans by USD 20.6 million while a 0.5-percentage point increase in the discount rate would have decreased the PBO related to the defined benefit pension plans by USD 18.1 million.

Holding all other assumptions constant, a decrease or increase of 0.5 percentage points in the discount rate would have decreased the interest cost in the financial year ended March 31, 2019 by USD 1.3 million or increased the interest cost by USD 1.1 million respectively.

The actual asset allocation for the defined benefit pension plan assets is as follows:

	March 31, 2019	March 31, 2018
Equity Instruments	24%	24%
Debt Instruments	45%	43%
Property	17%	16%
Other	14%	17%

The Company's pension plan assets for each individual plan are invested in accordance with statutory regulations, pension plan rules and decisions of the pension fund trustees. The Company's actual invested positions in various securities change over time based on short and longer-term investment opportunities. Strategic pension plan asset allocations are determined by the objective to achieve an investment return, which together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. Based upon current market and economic environments, the actual asset allocation may periodically be permitted to deviate from policy targets. The plan's assets are divided according to asset class. The financial year ending March 31, 2020 targeted allocations are equities (30 percent), debt securities (47 percent), real estate (19 percent) and others (4 percent).

Annual benefit payments, including amounts to be paid from the Company's assets for unfunded plans, and reflecting expected future service, as appropriate, are expected to be as follows:

Fiscal Year ending March 31, (USD in thousands)	
2020	14,426
2021	14,061
2022	13,523
2023	13,478
2024	14,367
2025–2030	75,548

The following tables present, for each of the fair-value hierarchy levels, the Company's defined benefit pension plan assets that are measured at fair value on a recurring basis as at March 31, 2019 and at March 31, 2018:

Fair Value Measurements March 31, 2019 (USD in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	–	–	–	–
Equity instruments	58,126	47,030	11,096	–
Debt instruments	110,171	66,699	43,472	–
Real estate	41,740	–	579	41,161
Other	33,091	3,124	29,967	–
Total	**243,128**	**116,853**	**85,114**	**41,161**

Fair Value Measurements March 31, 2018 (USD in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	–	–	–	–
Equity instruments	59,374	48,778	10,596	–
Debt instruments	107,647	83,211	24,436	–
Real estate	40,143	–	647	39,496
Other	43,182	3,154	40,028	–
Total	**250,346**	**135,143**	**75,707**	**39,496**

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

Debt and equity instruments

Debt and equity instruments classified as Level 1 are valued at the closing price reported on the active market where the individual securities are traded. Equity instruments classified as Level 2 consist of investments in traded institutional funds, which are not actively traded, valued at the repurchase price as calculated by the fund manager on a daily basis and alternative investments valued at their net asset value which is based on the fair value of the underlying assets that are traded in active markets and have quoted market prices.

Real estate

Real estate investments classified as Level 2 are valued at the repurchase price as calculated by the fund manager on a daily basis. Real estate investments classified as Level 3 are valued using a discounted cash-flow approach, the discount rates are based on the age of the real estate and stand at 4.5%.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the Level 3 assets:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Balance at April 1,	39,496	36,617
Actual return on plan assets	2,698	923
Purchases	676	–
Effect of changes in exchange rates	(1,709)	1,956
Balance at March 31,	**41,161**	**39,496**

In addition to its defined benefit plans, the Company also provides post-retirement health care benefit plans to certain of its employees. As of March 31, 2019, and March 31, 2018, the post-retirement benefit plans had an obligation of USD 0.4 million and USD 0.4 million, respectively.

For the post-retirement plan, the expected premium for financial year ending March 31, 2020 is assumed to be USD 4,877 for retired employees (USD 5,471 for spouse). The medical trend rate is assumed to increase to 5.2% for the financial year ending March 31, 2020 and gradually decrease to 4.3% thereafter.

As an indicator of sensitivity, increasing the assumed health care cost trend rate by 1% would have increased the accumulated post-retirement benefit obligation by USD 5 thousand at March 31, 2019. Decreasing the assumed health care cost trend rate by 1% would have decreased the accumulated post-retirement benefit obligation at March 31, 2019 by USD 9 thousand. Increasing or decreasing the assumed health care cost trend rate by 1% would have not changed the aggregate of the service and interest components of net post-retirement benefit expense.

Furthermore, the Company sponsors various defined contribution plans in which employees of certain subsidiaries are eligible to participate. Total expenses related to such plans for the financial years ended March 31, 2019 and March 31, 2018 were USD 8.4 million and USD 8.2 million, respectively.

NOTE 22: SHARE-BASED COMPENSATION

Long-term incentive plan

In April 2018, the Company introduced a new share-based long-term incentive plan ("LTIP") providing the members of the Group Executive Management and other eligible key managers with a possibility to receive shares in the Company, subject to certain conditions.

Each new award under the LTIP is a contingent entitlement (Performance Stock Unit or "PSU") to receive shares in the Company, provided certain performance targets are achieved during the three-year performance period. In case the performance does not reach certain pre-determined thresholds after three years, no shares of the Company will vest under the LTIP. The LTIP consists of two components that are weighted equally: (i) a component with a market condition, that is based on the total shareholders' return ("TSR") measured over three years relative to the Swiss Performance Index ("SPI"), summarized under the heading PSP-TSR, and (ii) a component with a performance condition that is based on the Company's fully diluted earnings per share ("EPS") performance, summarized under the heading PSP-EPS.

The following table summarizes the number of outstanding nonvested share equivalents allocated to each component of the LTIP as of March 31, 2019 and March 31, 2018:

Maximum outstanding nonvested share equivalents under the LTIP	March 31, 2019	March 31, 2018
Maximum share equivalents under the PSP-TSR	45,405	–
Maximum share equivalents under the PSP-EPS	45,405	–
Total maximum outstanding nonvested share equivalents under the LTIP	**90,810**	**–**
Exercisable	–	–

The number of share equivalents represents the maximum number of shares that can potentially vest and be distributed to employees if the Company will achieve the highest vesting scenario for each component.

Total compensation costs recognized in the Consolidated Statement of Operations with respect to the LTIP were USD 1.1 million for the financial year ended March 31, 2019.

Performance Stock Plan with a Market Condition (PSP-TSR Plan)

The Company allocates annually PSUs of its publicly traded shares to eligible employees, who are employed with the Company at the grant date. These awards are subject to a TSR market condition, which compares the Company's TSR measured over three years relative to the performance of the SPI. The relative TSR condition is calculated considering not only the variations of the closing price over the three-year period but also the dividends distributed in the same period, assuming that those dividends are reinvested at the time of distribution in the shares of the Company.

PSUs granted under the PSP-TSR component will cliff-vest and be converted into the Company's shares in a range of 0% to 200% following the 3-year performance period. None of the PSP-TSR awards will vest if Landis+Gyr's absolute TSR attributable to the relevant three-year performance period is negative, regardless of the Company's performance relative to the SPI.

The following table summarizes the activities under the PSP-TSR component for the financial year ended March 31, 2019:

TSR COMPONENT	FISCAL YEAR ENDED MARCH 31, 2019		
	Number of awards	Maximum number of shares conditionally granted	Weighted-average grant-date fair value per share (Swiss francs)
Nonvested at April 1, 2018	–	–	
Granted	26,743	53,485	56.35
Vested	–	–	–
Forfeited	(4,041)	(8,080)	56.35
Nonvested at March 31, 2019	**22,702**	**45,405**	**56.35**
Exercisable at March 31, 2019	–	–	–

The Company recorded share-based compensation expense for the PSP-TSR Plan of USD 0.4 million for the financial year ended March 31, 2019, which is included within General and administrative expense in the Consolidated Statements of Operations. As of March 31, 2019, total unrecognized compensation costs related to nonvested PSP-TSR awards amount to USD 0.7 million. These costs are expected to be recognized over a weighted-average period of two years.

Equity-settled awards are recorded in the "Additional paid-in capital" component of Shareholders' equity, with compensation cost recorded in General and administrative expenses over the vesting period, which is from the grant date to the end of the vesting period, including adjustments for actual forfeitures. The PSP-TSR awards are subject to a market condition, which based on the guidance in ASC 718 is reflected in the grant-date fair value. The actual number of PSUs that will vest can range from 0% to 200% of the grant, depending upon actual Company performance below or above the target level. Compensation cost is recognized for the PSP-TSR awards, provided that the requisite service is rendered, regardless of when, if ever, the market condition is satisfied. In case of an outperformance of the PSP-TSR award compared to the targets, there will be no adjustment as long as the employee performs the requisite service period.

The weighted-average exercise price of PSP-TSR awards is zero.

The following assumptions have been applied in the valuation model:

	Fiscal year ended March 31, 2019
Expected term	3 years
Risk free rate	(0.483%)
Expected volatility	20.13%
Expected dividend yield	3%

For the PSUs granted on April 1, 2018, the expected volatility of the share price returns was measured over a historic period of 180 days only, given that the IPO only took place in July 2017.

Performance Stock Plan with an Earnings per Share Condition (PSP-EPS Plan)
The Company allocates annually PSUs of its publicly traded shares to eligible employees, who are employed with the Company at the grant date. These awards are subject to a predefined cumulative diluted earnings per share performance condition, which has to be met over a measurement period of three years. The EPS condition is set based on an outside-in view, taking into account growth expectations, risk profile, investment levels and profitability levels.

PSUs granted under the PSP-EPS Plan will cliff-vest and be converted into the Company's shares in a range of 0% to 200% following the 3-year performance period, if the performance conditions are met. None of the PSP-EPS awards will vest if a minimum cumulative target on fully diluted EPS has not been achieved over the performance period.

The following table summarizes the activities under the PSP-EPS Plan for the financial year ended March 31, 2019:

EPS COMPONENT

	FISCAL YEAR ENDED MARCH 31, 2019		
	Number of awards	Maximum number of shares conditionally granted	Weighted-average grant-date fair value per share (Swiss francs)
Nonvested at April 1, 2018	–	–	–
Granted	26,743	53,485	73.95
Vested	–	–	–
Forfeited	(4,041)	(8,080)	73.95
Nonvested at March 31, 2019	**22,702**	**45,405**	**73.95**
Exercisable at March 31, 2019	–	–	–

The Company recorded stock-based compensation expense for the PSP-EPS Plan of USD 0.7 million for the financial year ended March 31, 2019, which is included within General and administrative expense in the Consolidated Statements of Operations. As of March 31, 2019, total unrecognized compensation costs related to nonvested PSP-EPS awards amount to USD 1.4 million. These costs are expected to be recognized over a weighted-average period of two years.

Equity-settled awards are recorded in the “Additional paid-in capital” component of Shareholders’ equity, with compensation cost recorded in General and administrative expenses over the vesting period, which is from the grant date to the end of the vesting period, including adjustments for actual forfeitures. The PSP-EPS awards are subject to a performance condition, which based on the guidance in ASC 718 is not reflected in the grant-date fair value. The actual number of PSUs that will vest can range from 0% to 200% of the grant, depending upon actual Company performance below or above the target level. The Company estimates performance in relation to the established target when determining the projected number of PSUs that will vest and calculating the compensation cost related to these awards. If it is not probable that the performance target for the EPS component will be achieved, then compensation expense recorded to date will be reversed.

The weighted-average exercise price of PSP-EPS awards is zero. The fair value of performance stock units granted under the PSP-EPS Plan is determined based on the closing price of the Company’s shares at the day preceding the grant date less the present value of expected dividends.

Other share-based compensation

Starting from the annual term which commenced with the 2018 Annual General Meeting (June 28, 2018), the remuneration of the members of the Company’s Board of Directors is paid 65% in cash and 35% in Company’s shares, which are blocked for sale for a period of three years. In the financial year ended March 31, 2019, the Company allotted 5,916 shares, out of the treasury stock, and recorded USD 0.4 million of expense which is included within General and administrative expense in the Consolidated Statements of Operations.

NOTE 23: INCOME TAXES

The components of profit (loss) before income tax expense, are as follows:

USD in thousands	FISCAL YEAR ENDED MARCH 31, 2019	2018
Domestic (1)	39,004	32,941
Foreign	129,995	16,028
L+G Group	**168,999**	**48,969**

1) Domestic jurisdiction represents Switzerland, the country where the Company is incorporated.

Income tax benefit (expense) by location of the taxing jurisdiction consisted of the following:

USD in thousands	FISCAL YEAR ENDED MARCH 31, 2019	2018
Current income taxes:		
Domestic (1)	(795)	(739)
Foreign	(36,701)	(26,294)
Total current taxes	(37,496)	(27,033)
Deferred taxes:		
Domestic (1)	(5,399)	(134)
Foreign	774	24,992
Total deferred taxes	(4,625)	24,858
Total income taxes	**(42,121)**	**(2,175)**

1) Domestic jurisdiction represents Switzerland, the country where the Company is incorporated.

The reconciliation of tax benefit (expenses) at the statutory tax rate of 7.83% to the provision for income taxes is shown in the table below:

USD in thousands	FISCAL YEAR ENDED MARCH 31, 2019	2018
Regular statutory rate benefit (expense)	(13,233)	(3,834)
Items taxed at rates other than the Company's statutory rate	(33,100)	(12,055)
Other permanent adjustments	925	2,208
Provision for uncertain tax positions	(3,099)	3,194
Tax credits	2,095	1,516
Withholding taxes	(796)	(767)
Change in valuation allowance	4,645	(11,774)
Adjustments to prior year	162	1,986
Effects of changes in tax rate, net	367	17,375
Other, net	(87)	(24)
Tax benefit (expense)	**(42,121)**	**(2,175)**

Deferred Taxes

The significant components of the deferred tax assets and liabilities are as follows:

USD in thousands	MARCH 31, 2019	2018
Deferred tax assets:		
Net operating loss carryforwards	91,800	95,233
Inventories	2,269	2,618
Prepaid expenses and other	690	167
Accrued liabilities	8,947	16,921
Intangible assets	9,482	9,821
Pension and other employee related liabilities	21,642	22,959
Other	23,665	21,871
Total gross deferred tax assets	**158,495**	**169,590**
Deferred tax liabilities:		
Accrued liabilities	(231)	(42)
Property, plant, and equipment	(9,495)	(9,762)
Intangible assets	(61,240)	(71,591)
Other	(22,202)	(12,667)
Total gross deferred tax liabilities	**(93,168)**	**(94,062)**
Net deferred tax assets before valuation allowance	65,327	75,528
Valuation allowance	(86,853)	(92,027)
Net deferred tax liabilities	**(21,526)**	**(16,499)**
Included in:		
Deferred tax assets – non-current	15,821	16,021
Deferred tax liabilities – non-current	(37,347)	(32,520)
Net deferred tax liabilities	**(21,526)**	**(16,499)**

As of March 31, 2019, and March 31, 2018, the Company had total tax losses carried forward in the amount of USD 287.4 million and USD 303.0 million, respectively.

The expiration of the tax losses carried forward as of March 31, 2019 is as follows:

Fiscal year ending March 31, (USD in thousands)	
2020	–
2021	388
2022	13,590
2023	50,252
2024	13,546
Thereafter	6,514
Never expire	203,078
Total	**287,368**

Due to “change in ownership” provisions in certain jurisdictions, the use of a portion of our tax losses may be limited in future periods.

The Company believes that it is more likely than not that the benefit from certain net operating loss carryforwards and other deferred tax assets will not be realized due to insufficient profit projections.

The Company considered all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

The valuation allowances are mainly provided against net deferred tax assets in Australia, Brazil, Denmark, France, India, Norway, Sweden, United States and United Kingdom. In the event that all of the deferred tax assets become realizable, the reversal of the valuation allowance would result in a reduction in income tax expense.

Deferred taxes on undistributed earnings of foreign subsidiaries as of March 31, 2019 and March 31, 2018 are USD 0.5 million and USD 0.5 million, respectively.

The Company does not provide deferred taxes on temporary differences related to its foreign subsidiaries that are considered permanent in duration. Determination of the amount of deferred taxes on these temporary differences is not practical.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was enacted. The U.S. tax reform introduced many changes, including lowering the U.S. corporate tax rate to 21 percent, changes in incentives, provisions to prevent U.S. base erosion and significant changes in the taxation of international income, including provisions which allow for the repatriation of foreign earnings without being subject to U.S. tax. The enactment of U.S. tax reform resulted in a provisional benefit of USD 22 million from the re-measurement of deferred tax balances as of March 31, 2017 to the new U.S. Federal tax rate. Including the impact from the re-measurement of the deferred tax balances arising from the current activity of USD 4.7 million, the provisional net benefit amounts to USD 17.3 million, which was recognized in the financial year ended March 31, 2018. The Company completed the accounting for the income tax effects of the Act and did not make any material adjustments to these provisional amounts for the financial year ended March 31, 2019.

Provisions for Uncertain Tax Positions

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Balance as of April 1,	24,378	27,520
Gross increases to positions in prior years	306	4,640
Gross increases to current period tax positions	3,839	6,443
Audit settlements	(696)	(2,874)
Expiry of statute of limitations	(967)	(1,787)
Gross decreases to prior year positions	(2,003)	(10,162)
Effect on change in exchange rates	(273)	598
Balance as of March 31,	**24,584**	**24,378**

As of March 31, 2019, and March 31, 2018, accrued interest and penalties were USD 7.6 million and USD 6.5 million, respectively.

The Company does not expect any material changes in unrecognized tax benefits within the next 12 months.

The Company is subject to taxation in various states and foreign jurisdictions. As of March 31, 2019, the Company could be subject to income tax examination by the tax authorities in the following major tax jurisdictions:

Tax Jurisdiction	Open tax years
Australia	April 1, 2014–March 31, 2019
Switzerland	April 1, 2017–March 31, 2019
U.S. Federal	January 1, 2008–December 31, 2009 January 1, 2012–March 31, 2012 April 1, 2015–March 31, 2019
Germany	April 1, 2014–March 31, 2019
Greece	April 1, 2013–March 31, 2019
United Kingdom	April 1, 2017–March 31, 2019
Brazil	January 1, 2014–March 31, 2019

NOTE 24: COMMITMENTS & CONTINGENCIES

Commitments

The Company is obligated under capital leases covering certain machinery and equipment that will expire at various dates during the next three years. The gross amount of property, plant and equipment and related accumulated amortization recorded under capital leases were as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2019	2018
Machinery and equipment	5,206	5,277
Less: accumulated amortization	(4,184)	(4,335)
Carrying amount	**1,022**	**942**

Amortization of assets held under capital leases is included within Depreciation expenses.

The Company is also party to several noncancelable operating leases, primarily for office space and company vehicles, that expire over the next five years. These leases generally contain renewal options for periods ranging from one to five years.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases for the financial years ended March 31, 2019 and March 31, 2018 was USD 26.0 million and USD 24.5 million, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of March 31, 2019 are:

Fiscal year ending March 31, (USD in thousands)	Capital Leases	Operating Leases
2020	543	18,030
2021	355	15,617
2022	218	11,262
2023	68	4,256
2024	12	2,973
Thereafter	–	4,159
Total minimum lease payments	**1,196**	**56,297**
Less estimated executory costs	(114)	
Net minimum lease payments	1,082	
Less amount representing interest	(117)	
Present value of net minimum capital lease payments	964	
Less current installments of obligation under capital leases	(451)	
Obligations under capital leases, excluding current installments	**513**	

Current and non-current portion of capital lease obligations are included as a component of Other current liabilities and Other non-current liabilities, respectively.

Guarantees

The following table provides quantitative data regarding the Company's third-party guarantees. The maximum potential payments represent a "worst-case scenario", and do not reflect management's expected outcomes.

Maximum potential payments (USD in million)	March 31, 2019
Performance guarantees obtained from third parties	109.6
Financial guarantees issued in connection with financing activities	356.1
Financial guarantees issued in connection with lease agreements	4.6
Total	**470.4**

The Company is often required to obtain bank guarantees, bid bonds, or performance bonds in support of its obligations for customer tenders and contracts. These guarantees or bonds typically provide a guarantee to the customer for future performance, which usually covers the delivery phase of a contract and may, on occasion, cover the warranty phase. As of March 31, 2019, the Company had total outstanding performance bonds and bank and insurance guarantees of USD 109.6 million. In the event any such bank or insurance guarantee or performance bond is called, the Company would be obligated to reimburse the issuer of the guarantee or bond; however, the Company has no reason to expect that any outstanding guarantee or bond will be called.

In addition, the Company has entered into guarantees that provide financial assurances to certain third parties related to the outstanding lines of credit or to leasing arrangements, predominantly for office leases. The total amount was USD 360.7 million as of March 31, 2019.

Furthermore, the Company is party to various guarantees whereby the Company has assured the performance of its wholly owned subsidiaries' products or services according to the terms of specific contracts. Such guarantees may include guarantees that a project will be completed within a specified time. If the subsidiary were to fail to fulfil its obligations under the contract, then the Company could be held responsible for the other party's damages resulting from such failure. Because the Company's liability under the guarantees typically matches the subsidiaries' liability under the primary contracts, such guarantees generally do not limit the guarantor's total potential liability where the liability results, for example, from personal injury or death or from intellectual property infringement. Therefore, it is not possible to specify the maximum potential amount of future payments that could be made under these or similar agreements. However, the Company has no reason to believe that any of the outstanding parent guarantees will ever be exercised, and the Company has not had to make payments against any such parent guarantees in the past.

Legal proceedings

We are subject to various legal proceedings and claims of which the outcomes are subject to significant uncertainty. The Company's policy is to assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required, if any, for these contingencies is made after an analysis of each known issue. A liability is recognized and charged to operating expense when we determine that a loss is probable, and the amount can be reasonably estimated.

In August 2015, Energise SA and a number of related plaintiffs filed two related lawsuits in Brazil, alleging that the Company's electric meters were excessively vulnerable to fraud. The initial petitions requested Landis+Gyr to provide new firmware to the plaintiffs and to reimburse their cost of installation in meters supplied with this firmware. A technical expert report has been completed and the cases have been consolidated. The case is in the pre-trial stage.

On October 5, 2015, the Romanian Competition Council ("RCC") launched an ex officio investigation against Landis+Gyr together with several of its competitors on the alleged infringement of certain provisions of Romanian competition law in connection with auctions on the market of electricity meters and connected equipment. In response we immediately engaged external experts to conduct an extensive internal forensic investigation that did not reveal any violation of competition law. Additionally, Landis+Gyr provided the Council evidence demonstrating that it had not engaged in any of the alleged anti-competitive conduct. Landis+Gyr is not materially active in the Romanian metering market nor was it materially active during the period under investigation. On January 4, 2018, the Plenum of the Competition Council issued its preliminary decision against Landis+Gyr and five other companies and imposed a fine of RON 27.4 million (or USD 7.1 million, converted at the exchange rate as of March 31, 2018). The full written decision was received on April 30, 2018. Landis+Gyr has filed an appeal of the decision on the basis that it is significantly flawed and incorrect under the law.

In addition to the cases listed above, Landis+Gyr and its subsidiaries are parties to various employment-related and administrative proceedings in jurisdictions where we do business. None of the proceedings are individually material to Landis+Gyr, and the Company believes that it has made adequate provision such that the ultimate disposition of the proceedings will not materially affect its business or financial condition.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, actions, and complaints. It is not possible to predict with certainty whether or not the Company and its subsidiaries will ultimately be successful in any of these legal matters, or if not, what the impact might be. However, the Company's management does not expect that the results of any of these legal proceedings will have a material adverse effect on the Company's results of operations, financial position or cash flows.

Indemnification

The Company generally provides an indemnification related to the infringement of any patent, copyright, trademark, or other intellectual property right on software or equipment within its customer contracts. This indemnification typically covers damages and related costs, including attorney's fees with respect to an indemnified claim, provided that (a) the customer promptly notifies us in writing of the claim and (b) the Company controls the defense and all related settlement negotiations. The Company may also provide an indemnification to its customers for third party claims resulting from damages caused by the negligence or willful misconduct of its employees/agents under certain contracts. These indemnification obligations typically do not have liability caps. It is not possible to predict the maximum potential amount of future payments under these or similar agreements.

Warranty

A summary of the warranty provision account activity is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	**2018**
Beginning balance, April 1	73,427	51,734
New product warranties	18,685	48,034
Other changes / adjustments to warranties	(12,808)	(8,856)
Claims activity	(31,971)	(21,516)
Effect of changes in exchange rates	(2,156)	4,031
Ending balance, March 31,	**45,177**	**73,427**
Less: current portion of warranty	(34,257)	(47,870)
Long-term warranty	10,920	25,557

New product warranties for the financial year ended March 31, 2019 primarily consist of additions in line with the ordinary course of business.

New product warranties for the financial year ended March 31, 2018 primarily consist of an increase in the provision related to a legacy component issue in the Americas segment.

NOTE 25: RESTRUCTURING CHARGES

The Company continually reviews its business, manages costs and aligns resources with market demand. As a result, the Company has taken several actions to reduce fixed costs, eliminate redundancies, strengthen operational focus, and better position itself to respond to market pressures or unfavorable economic conditions.

During the financial year ended March 31, 2019, the Company continued its restructuring effort, aimed at reducing costs and improving operating performance. In connection with these restructuring plans, the Company recognized costs related to termination benefits for employee positions that were eliminated. The total financial year ended March 31, 2019 initiatives represent approximately USD 4.8 million in severance related costs. Some of the severance payments were completed during the financial year ended March 31, 2019 and the remaining payments are expected to be completed during the financial year ending March 31, 2020.

A summary of the Company's restructuring activity, including costs incurred during the financial years ended March 31, 2019 and March 31, 2018 is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Beginning balance, April 1,	8,460	2,460
Restructuring charges	4,760	14,662
Adjustments	–	129
Cash payments	(7,667)	(9,275)
Effect of changes in exchanges rates	(501)	484
Balance as of March 31,	**5,052**	**8,460**

The outstanding balance at March 31, 2019 and at March 31, 2018, respectively, is included under Accrued liabilities in the Consolidated Balance Sheets.

A summary of the Consolidated Statement of Operations line items where restructuring activity charges have been recognized is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Cost of revenue	770	7,029
Research and development	912	1,438
Sales and marketing	1,635	1,143
General and administrative	1,443	5,052
Total	**4,760**	**14,662**

The following table outlines the cumulative and current costs incurred to date per operating segment:

USD in thousands	Cumulative Costs incurred up to March 31, 2019	Total Costs incurred in the Fiscal Year ended March 31, 2019
Americas	4,271	2,128
EMEA	15,781	965
Asia Pacific	1,567	582
Corporate	1,598	1,085
Restructuring Charges	**23,217**	**4,760**

The cumulative costs incurred up to March 31, 2019 represent the Companies ongoing restructuring efforts under various programs over the last three financial years. The expected future costs for the restructuring programs are USD 12.8 million spread over the next four years and are primarily related to EMEA.

NOTE 26: ASSET RETIREMENT OBLIGATIONS

AROs exist in Germany, Switzerland, the UK, Australia and the USA. The following table presents the activity for the AROs, excluding environmental remediation liabilities:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2019	2018
Beginning balance, April 1	2,802	2,499
Additional obligations incurred	152	17
Obligations settled in current period	(629)	–
Accretion expense	36	139
Effect of changes in exchange rates	(125)	147
Obligation balances, March 31,	**2,236**	**2,802**

NOTE 27: RELATED PARTY TRANSACTIONS

Transactions with former Shareholders
In the financial year ended March 31, 2019, Landis+Gyr reported no transaction with former shareholders.

In the financial year ended March 31, 2018, Landis+Gyr and Toshiba were related parties until the mentioned IPO became effective. During the period between April 1, 2017 through July 21, 2017 sales to and purchases from Toshiba affiliated entities were USD 35.6 million and USD 0.3 million, respectively.

Sales of goods to related parties were made at the Company's usual prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

As noted in Note 17: Shareholder Loans, on June 8, 2017, the Company repaid the shareholder loan which was received from Toshiba upon the acquisition in 2011.

Transactions with affiliated Companies
Since June 19, 2018 and resulting from the acquisition described in Note 10: Acquisitions and Divestments, the Company has a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark").
In the financial year ended March 31, 2019, revenues from Spark were USD 15.5 million. Sales of goods were made at the Company's usual prices.

As of March 31, 2019, receivables due from Spark were USD 3.0 million. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions with other related parties
The Company conducts business with certain companies where members of the Company's Board of Directors or Executive Committee act, or in recent years have acted, as directors or senior executives. Eric A. Elzvik is a board member of LM Ericsson, Sweden. In the financial year ended March 31, 2019 the Company sold products to and purchased products from LM Ericsson and its group companies of USD 2.1 million and USD 5.4 million, respectively. In the financial year ended March 31, 2018, sales to and purchases from LM Ericsson and its group companies were USD 2.4 million and USD 5.0 million, respectively.

NOTE 28: CONCENTRATIONS

The Company generates the majority of its revenue in the United States and Europe, with the balance in Asia Pacific, Middle East, Africa, South America, and Canada. None of the Company's customers exceeded ten percent of the consolidated revenue for the financial years ended March 31, 2019 and 2018. The majority of the revenue is derived from the sale of energy meters.

Approximately 39% of the Company's workforce is subject to collective bargaining agreements expiring between 2019 and 2029. Approximately 1% of the Company's workforce is subject to collective bargaining agreements expiring within one year.

NOTE 29: SEGMENT INFORMATION

As noted in Note 12: Goodwill, the Company is organized into the following operating segments:

Americas

The Americas generates the majority of its revenue in the United States, with the balance produced in Canada, Central America, South America, Japan and certain other markets which adopt US standards. The Americas reportable segment designs, manufactures, markets, and sells the Company's Gridstream and advanced meter solutions, digital electricity meters, commercial/industrial and grid meters, system deployment services, managed network services, and other advanced metering infrastructure offerings including software, installation, implementation, consulting, maintenance support, and related services.

EMEA

The EMEA segment produces the majority of its revenue in Europe with the balance generated in the Middle East, South Africa and certain other markets which adopt European standards. The EMEA reportable segment designs, manufactures, markets, and sells the Company's Gridstream and advanced meter solutions, digital electricity meters, prepayment electricity meters, commercial / industrial and grid meters, gas meters and prepayment solutions, heat and water meters and solutions, load control devices, system deployment services, and advanced metering infrastructure offerings including software, installation, implementation, consulting, maintenance support, and related services.

Asia Pacific

The Asia Pacific segment generates the majority of its revenue in Australia, China, Hong Kong and India, while the balance is generated in other markets in Asia. The Asia Pacific reportable segment designs, manufactures, markets, and sells the Company's Gridstream and advanced meter solutions, digital electricity meters, prepayment electricity meters, commercial / industrial and grid meters, gas meters and prepayment solutions, heat and water meters and solutions, load control devices, system deployment services, and advanced metering infrastructure offerings including software, installation, implementation, consulting, maintenance support, and related services.

The Chief Operating Decision Maker (CODM) is the Company's Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined in the table below. Each operating segment offers products for different applications and markets and provides separate financial information that is evaluated regularly by the CODM. Decisions by the CODM on how to allocate resources and assess performance are based on a reported measure of segment profitability.

The Company has two primary measures for evaluating segment performance: net revenue to third parties (excluding any inter-company sales) and the adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). Management defines Adjusted EBITDA as operating income (loss) excluding (i) depreciation and amortization, (ii) impairment of intangible assets, (iii) restructuring charges, (iv) exceptional warranty related expenses, (v) warranty normalization adjustments, (vi) change in unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized and (vii) special items.

USD in thousands	FINANCIAL YEAR ENDED MARCH 31, 2019	2018
Net revenues		
Americas	989,064	975,031
thereof to external customers	985,982	972,198
thereof to other segments	3,082	2,833
EMEA	714,505	694,662
thereof to external customers	632,460	627,177
thereof to other segments	82,045	67,486
Asia Pacific	150,228	143,047
thereof to external customers	146,717	138,439
thereof to other segments	3,511	4,608
Elimination	(88,638)	(74,927)
Total Company	**1,765,159**	**1,737,814**
Adjusted EBITDA		
Americas	193,655	198,719
EMEA	19,731	(11,980)
Asia Pacific	1,483	(9,556)
Corporate unallocated	23,063	31,046
Total Company	**237,932**	**208,229**
Restructuring charges (1)	(4,760)	(14,662)
Exceptional warranty related expenses (2)	(1,136)	(2,360)
Warranty normalization adjustments (3)	16,054	(24,250)
Timing difference on FX derivatives (4)	2,977	–
Special items (5)	–	(25,644)
Depreciation	(44,068)	(47,528)
Amortization of intangible assets	(48,747)	(49,818)
Interest income	479	877
Interest expense	(6,847)	(6,966)
Non-operational pension (cost) credit	4,078	3,801
Gain on divestments	14,563	–
Income (loss) on foreign exchange, net	(1,526)	7,290
Income before income tax expense	**168,999**	**48,969**

1) Restructuring charges are summarized in note 25 including the line items in the Consolidated Statements of Operations that include the restructuring charges.
2) Exceptional warranty related expense related to a legacy component issue in the EMEA segment.
3) Warranty normalization adjustments represents warranty expense that diverges from three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims.
4) Timing difference on FX derivatives represents unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized.
5) Special items represent costs incurred, or income earned, related to non-recurring events, certain settlements of litigation and other miscellaneous items. Special items for the financial year ended March 31, 2018 included, among others, USD 24.2 million costs incurred in connection with the IPO and USD 1.5 million other miscellaneous items.

The following table presents segment depreciation and amortization and capital expenditures for the financial years ended March 31, 2019 and 2018:

	DEPRECIATION AND AMORTIZATION		CAPITAL EXPENDITURE	
	FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018	**2019**	2018
Americas	58,115	62,491	18,597	16,408
EMEA	22,428	21,999	16,983	18,593
Asia Pacific	4,882	5,854	4,518	2,162
Corporate	7,390	7,002	371	814
Total	**92,815**	**97,346**	**40,469**	**37,977**

The Company does not monitor total assets by operating segment and such information is not reviewed by the CODM.

The following tables represent the continuing operations' revenue for the financial years ended March 31, 2019 and 2018:

Fiscal Year ended March 31, 2019 (USD in thousands)	**Total**	**Americas**	**EMEA**	**Asia Pacific**
Total revenue	**1,765,159**	**985,982**	**632,460**	**146,717**
thereof United States	867,440	858,357	9,083	–
thereof United Kingdom	194,812	–	194,812	–
thereof Switzerland	43,578	–	43,578	–
thereof Australia	61,796	–	826	60,970

Fiscal Year ended March 31, 2018 (USD in thousands)	**Total**	**Americas**	**EMEA**	**Asia Pacific**
Total revenue	**1,737,814**	**972,198**	**627,177**	**138,439**
thereof United States	883,535	883,535	–	–
thereof United Kingdom	192,636	–	192,636	–
thereof Switzerland	56,170	–	56,170	–
thereof Australia	56,063	–	–	56,063

The following tables represent the property, plant and equipment, net as of March 31, 2019 and 2018:

March 31, 2019 (USD in thousands)	Total	Americas	EMEA	Asia Pacific
Property, plant and equipment	**142,058**	**75,089**	**56,892**	**10,077**
thereof United States	69,261	69,261	–	–
thereof United Kingdom	25,008	–	25,008	–
thereof Switzerland	1,535	–	1,535	–
thereof Australia	2,596	–	–	2,596

March 31, 2018 (USD in thousands)	Total	Americas	EMEA	Asia Pacific
Property, plant and equipment	**164,400**	**92,892**	**60,798**	**10,710**
thereof United States	85,736	85,736	–	–
thereof United Kingdom	28,872	–	28,872	–
thereof Switzerland	2,088	–	2,088	–
thereof Australia	3,819	–	–	3,819

Sales to external customers are based on the location of the customer (destination). Disclosure of long-lived assets is based on the location of the asset.

NOTE 30: SUBSEQUENT EVENTS
The Company evaluated subsequent events and transactions that occurred after the balance sheet date through May 28, 2019, which is the date that the consolidated financial statements were available to be issued.

No significant events occurred subsequent to the balance sheet date but prior to May 28, 2019 that would have a material impact on the Consolidated Financial Statements.

Statutory Financial Statements of Landis+Gyr Group AG

Table of Contents

Report of the statutory auditor
to the General Meeting of Landis+Gyr Group AG
Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Landis+Gyr Group AG, which comprise the balance sheet, income statement and notes (pages 94 to 101), for the year ended 31 March 2019.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 March 2019 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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pwc

Valuation of investment in and long-term loan receivable from subsidiary

Key audit matter	*How our audit addressed the key audit matter*
At 31 March 2019, the carrying value of the Company's investment in and long-term loan receivable from subsidiary amounts to CHF 1.1 billion and CHF 0.2 billion, respectively. We consider the valuation of investment in and the long-term loan receivable from subsidiary a significant area due to the size of the carrying value (92% of total assets) and judgement involved in determining the enterprise value used to support the recoverability of these assets. Refer to Note 3.2 *Investments* and Note 3.3 *Short-term and long-term loans receivable* of the financial statements.	We assessed whether the combined carrying value of the investment in and long-term loan receivable from subsidiary is recoverable as of 31 March 2019 by performing the following procedures: • We compared the market capitalization of the Company at 31 March 2019 to the combined carrying value of the investment in and long-term loan receivable from subsidiary. • We assessed the reasonableness of the enterprise value of the Company by evaluating the key assumptions used by management in estimating the future cash flows of its reporting units, including projections of future business performance and profitability, terminal growth rates and discount rates, and by assessing the appropriateness of the model used. • We compared the enterprise value of the Company to the combined carrying value of the investment in and long-term loan receivable from subsidiary company. On the basis of work performed, we determined the principles used by management to support the carrying value of the investments in and long-term loan receivable to be reasonable.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of the accumulated profit and statutory capital reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner	Claudia Muhlinghaus
Audit expert Auditor in charge	Audit expert

Zug, 28 May 2019

Balance Sheet

CHF	Notes	March 31, 2019	March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		9,325	–
Short-term loans receivable from subsidiary companies		110,442,804	–
Total current assets		**110,452,129**	**–**
NON-CURRENT ASSETS			
Long-term loans receivable from subsidiary companies		176,511,852	352,821,956
Investments	5	1,067,205,088	1,067,205,088
Total non-current assets		**1,243,716,940**	**1,420,027,044**
TOTAL ASSETS		**1,354,169,069**	**1,420,027,044**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade creditors subsidiary companies		8,497,332	12,495,328
Accrued liabilities		38,884	33,806
Total current liabilities		**8,536,216**	**12,529,134**
Non-current liabilities			
Provision for unrealized FX gain		53,840,017	54,459,980
Total non current liabilities		**53,840,017**	**54,459,980**
Total liabilities		**62,376,233**	**66,989,114**
SHAREHOLDERS' EQUITY			
Share capital		295,100,000	295,100,000
Statutory capital reserves	6	994,146,251	1,064,500,869
Reserve for treasury shares held by subsidiary			
- against statutory capital reserves	9	2,481,618	–
Statutory retained earnings		2,952,483	2,952,483
Accumulated profit/(deficit)		6,959,532	(9,515,422)
Accumulated deficit brought forward		(9,515,422)	(10,968,358)
Profit for the year		16,474,954	1,452,936
Treasury shares		–	–
- against statutory capital reserves	9	(9,847,048)	–
Total shareholders' equity		**1,291,792,836**	**1,353,037,930**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,354,169,069**	**1,420,027,044**

See notes to the statutory financial statements.

Income Statement

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	**2019**	2018
Operating expenses	(8,499,152)	(12,503,421)
OPERATING LOSS	**(8,499,152)**	**(12,503,421)**
Financial income	25,013,738	16,084,940
Financial expense	–	(2,088,542)
PROFIT BEFORE TAXES	**16,514,586**	**1,492,977**
Direct taxes	(39,632)	(40,041)
PROFIT FOR THE YEAR	**16,474,954**	**1,452,936**

See notes to the statutory financial statements.

Notes to the Statutory Financial Statements

NOTE 1: GENERAL

Landis+Gyr Group AG, Zug Switzerland (the Company) is the parent company of the Landis+Gyr Group.

On July 21, 2017 the Company completed an Initial Public Offering ("IPO") whereby its shares began trading on the SIX Swiss Exchange. In connection with the IPO, the Company's former shareholders sold an aggregate of 29,510,000 shares of common stock.

NOTE 2: APPLICABLE ACCOUNTING LAW

These unconsolidated financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957-963b of the Swiss Code of Obligations (CO).

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

3.1 Conversion of foreign currencies

The functional currency is the US Dollar, translated into Swiss Francs for statutory financial reporting purposes. Transactions during the year denominated in foreign currencies are translated and recorded in US Dollars at actual exchange rates prevailing at the dates of the transactions. Profits and losses on exchange are recognized in the income statement, with the exception of unrealized gains, which are deferred until they are realized.

With the exception of investments and equity which are translated at historical rates, all other assets and liabilities are translated into Swiss Francs using the year-end closing rate, whereas income and expenses are translated using the average exchange rate. Foreign currency exchange losses arising from translation are shown as currency translation differences under financial expense. Foreign currency exchange gains arising from translation are deferred on the balance sheet. A foreign exchange translation gain of CHF 53.8 million (Prior Year: CHF 54.5 million) has been deferred on the balance sheet.

During the year a foreign exchange rate gain of CHF 15.7 million was realized, mainly on the reduction in the USD loan to a subsidiary company. These realized exchange rate gains are not taxable as the taxable currency is equivalent to the functional currency which is US Dollar.

3.2 Investments

The investments in subsidiaries are carried at no higher than cost less adjustments for impairment, if any. The investments are reviewed annually for impairment and adjusted to their recoverable amount in instances where the carrying value is determined to be in excess of fair value.

3.3 Short-term and long-term loans receivable

Financial assets are valued at acquisition cost less adjustments for foreign currency losses and any other impairment of value.

NOTE 4: NUMBER OF EMPLOYEES

The Company did not have any employees in the financial years ended March 31, 2019 and 2018.

NOTE 5: INVESTMENTS

As at the balance sheet date, the Company holds the following direct investment:

COMPANY	NOMINAL CAPITAL	OWNERSHIP & VOTING RIGHTS MARCH 31,	
		2019	2018
Landis+Gyr AG, Theilerstrasse 1, Zug	CHF 29,700,000	100%	100%

As at the balance sheet date, the Company holds the following substantial indirect investments:

COMPANY	NOMINAL CAPITAL	OWNERSHIP & VOTING RIGHTS MARCH 31,	
		2019	2018
Landis+Gyr Investments LLC, Lafayette USA	USD 20	100%	100%
Bayard Metering (UK) Unlimited, Peterborough, United Kingdom	GBP 6,986,361	100%	100%

NOTE 6: STATUTORY CAPITAL RESERVES

MOVEMENT IN STATUTORY CAPITAL RESERVES	FINANCIAL YEAR ENDED MARCH 31,	
CHF	2019	2018
Statutory capital reserves as at April 1,	1,064,500,869	1,064,500,869
Dividend payment of CHF 2.30 per share on 29,510,000 shares	(67,873,000)	–
Transfer to reserve for treasury shares held by subsidiary – against		
statutory capital reserves	(2,481,618)	–
Statutory capital reserves carried forward	**994,146,251**	**1,064,500,869**

The statutory capital reserves from additional paid-in capital resulted from a contribution in kind of shares in Landis+Gyr AG, Zug and a loan from Landis+Gyr AG, Zug. The balance per March 31, 2018 has been approved by the tax authorities.

The transfer to the reserve for treasury shares held by subsidiary is outlined in Note 9.

NOTE 7: CONTINGENT LIABILITIES

Landis+Gyr Group AG forms part of the Swiss VAT group of Landis+Gyr and is therefore a liable party for any tax liabilities. The VAT group consists of:
– Landis+Gyr AG and Landis+Gyr Group AG

NOTE 8: SHARE CAPITAL

On July 11, 2017, in connection with the mentioned IPO, the Company's Shareholders approved an amendment to the Company's Certificate of Incorporation to effect a 10-for-1 reverse stock split of the Company's shares of common stock effective on July 12, 2017 (the "Reverse Stock Split").

As a result of the Reverse Stock Split, every 10 shares of the Company's then outstanding common stock were combined and automatically converted into one share of the Company's common stock, par value CHF 10 per share. Proportionate voting rights and other rights of common stockholders were not affected by the Reverse Stock Split, other than as a result of the rounding of fractional shares, as no fractional shares were issued in connection with the Reverse Stock Split.

At March 31, 2019 and 2018, the share capital represents 29,510,000 authorized, registered and issued ordinary shares with restricted transferability with a nominal value of CHF 10 each. The restricted transferability is related to the fact that the Board of Directors can reject a shareholder not disclosing the beneficial owner. Registered ordinary shares carry one vote per share, as well as the right to dividend.

The share capital of the Company may be increased by up to CHF 4,500,000 by issuing up to 450,000 fully paid up registered shares with a nominal value of CHF 10 each, upon the exercise of option rights or in connection with similar rights regarding shares granted to officers and employees at all levels of the Company and its group companies according to respective regulations and resolutions of the Board of Directors.

NOTE 9: TREASURY SHARES AND RESERVE FOR TREASURY SHARES

On January 29, 2019, the Company announced its intention to execute a share Buyback programme amounting to a maximum value of CHF 100,000,000 during a period of up to 36 months for the purpose of a capital reduction (the "Buyback programme"). The implementation of the Buyback programme depends on the market conditions. The Buyback programme lasts from January 30, 2019 to January 28, 2022 at the latest. The Company reserves the right to terminate the Buyback programme at any time and has no obligation to acquire its own registered shares as part of the Buyback programme. The Board of Directors of Landis+Gyr Group AG intends to request one or more capital reductions to future general meetings by cancelling the registered shares repurchased under the Buyback programme.

As of March 31, 2019, the Company held directly 157,842 shares, which were repurchased for the purpose of a capital reduction, which is subject to approval by the Annual General Shareholders' Meeting. Additional treasury shares were purchased and delivered as compensation-in-kind to the members of the Board of Directors.

The movement in the number of Treasury shares during the year was as follows:

MOVEMENT IN TREASURY SHARES

	FINANCIAL YEAR ENDED MARCH 31,			
	2019	**2019**	2018	2018
	Number of shares	**Average acquisition price per share (in CHF)**	Number of shares	Average acquisition price per share (in CHF)
Treasury shares – opening balance as of April 1	–	–	–	–
Purchases for share Buyback programme	157,842	62.39	–	–
Other purchases	5,916	63.24	–	–
Delivery of shares	(5,916)	63.24	–	–
Treasury shares – closing balance as of March 31	**157,842**	**62.39**	**–**	**–**

In addition, a subsidiary company, Landis+Gyr AG, also purchased shares in the Company, and as at March 31, 2019 held 40,832 shares at an average acquisition price of CHF 60.78 per share which are reserved for the employee and board compensation plans. The corresponding value of CHF 2.5 million has been debited to the Statutory capital reserves and credited to the Reserve for treasury shares held by subsidiary.

NOTE 10: THIRD PARTY GUARANTEES

The Company has entered into guarantees that provide financial assurances to certain third parties related to the outstanding lines of credit. The total amount was CHF 354 million and CHF 333 million as of March 31, 2019 and 2018, respectively. The exchange rates used to convert the maximum liability amounts into CHF are USD 0.99 (Prior Year: 0.95) and EUR 1.12 (Prior Year: 1.17).

The Company is party to various guarantees whereby the Company has assured the performance of its wholly owned subsidiaries' products or services according to the terms of specific contracts. Such guarantees may include guarantees that a project will be completed within a specified time. If the subsidiary were to fail to fulfil its obligations under the contract, then the Company could be held responsible for the other party's damages resulting from such failure. Because the Company's liability under the guarantees typically matches the subsidiaries' liability under the primary contracts, such guarantees generally do not limit the guarantor's total potential liability where the liability results, for example, from personal injury or death or from intellectual property infringement. Therefore, it is not possible to specify the maximum potential amount of future payments that could be made under these or similar agreements. However, the Company has no reason to believe that any of the outstanding parent guarantees will ever be exercised, and the Company has not had to make payments against any such parent guarantees in the past.

NOTE 11: SHAREHOLDINGS OF BOARD AND EXECUTIVE MANAGEMENT

At March 31, 2019 and 2018, the members of the Board held the following number of shares in the Company:

NAME	FUNCTION	NUMBER OF SHARES HELD AT MARCH 31,	
		2019	2018
Andreas Umbach	Chairman of the Board	67,999	66,501
Eric Elzvik	Lead Independent Director	3,574	2,564
Dave Geary	Independent Member	558	–
Pierre-Alain Graf	Independent Member	942	385
Andreas Spreiter	Independent Member	7,030	6,410
Christina Stercken	Independent Member	1,208	650
Mary Kipp [(a)]	Independent Member	495	–
Peter Mainz [(a)]	Independent Member	495	–

(a) Mary Kipp and Peter Mainz were elected to the Board at the Landis+Gyr Group AG AGM in 2018.

At March 31, 2019, the members of the Group Executive Management held the following number of shares in the Company and the conditional rights to receive Landis+Gyr Group AG shares under the newly introduced long-term incentive plan ("LTIP"):

		FINANCIAL YEAR ENDED MARCH 31, 2019	
NAME	FUNCTION	NUMBER OF SHARES HELD	NONVESTED SHARE EQUIVALENTS UNDER THE LTIP
Richard Mora	Chief Executive Officer	41,641	5,144
Jonathan Elmer	Chief Financial Officer	9,030	4,372
Prasanna Venkatesan	Head of Americas	22,072	1,929
Roger Amhof [(a)]	Chief Strategy Officer	6,425	–
Ellie Doyle [(b)]	Head of Asia Pacific	3,774	348
Susanne Seitz [(c)]	Head of EMEA	–	–

(a) Active member of GEM until December 2018
(b) Active member of GEM until October 2018
(c) Member of the GEM as of November 19, 2018

At March 31, 2018, the members of the Group Executive Management held the following number of shares in the Company and the conditional rights to receive Landis+Gyr Group AG shares under the newly introduced long-term incentive plan (“LTIP”):

		FINANCIAL YEAR ENDED MARCH 31, 2018	
Name	**Function**	**Number of shares held**	**Nonvested share equivalents under the LTIP**
Richard Mora	Chief Executive Officer	41,641	–
Jonathan Elmer	Chief Financial Officer	9,030	–
Roger Amhof [(a)]	Chief Strategy Officer	6,425	–
Ellie Doyle [(b)]	Head of Asia Pacific	3,774	–
Oliver Iltisberger [(c)]	Head of EMEA	9,143	–
Prasanna Venkatesan	Head of Americas	21,372	–

(a) Active member of GEM until December 2018
(b) Active member of GEM until October 2018
(c) Active member of the GEM until June 1, 2018

NOTE 12: SIGNIFICANT SHAREHOLDERS

At March 31, 2019, the significant shareholders in the Company, holding more than 3% of the total shares, were:

	MARCH 31, 2019	
Name	**Number of Shares**	**Holding %**
KIRKBI Invest A/S	4,445,265	15.06%
Rudolf Maag	3,000,000	10.17%
Franklin Resources Inc	1,825,813	6.19%
Fir Tree Value Master Fund	1,136,000	3.85%
Nordea 1, SICAV	918,351	3.11%
Norges Bank (the Central Bank of Norway)	909,534	3.08%
Credit Suisse Funds AG	907,466	3.08%

At March 31, 2018, the significant shareholders in the Company, holding more than 3% of the total shares, were:

	MARCH 31, 2018	
Name	**Number of Shares**	**Holding %**
Rudolf Maag	3,000,000	10.17%
Franklin Resources Inc	1,852,813	6.19%
KIRKBI AG	1,513,717	5.13%

To the best of the Company’s knowledge no other shareholders held 3% or more of Landis+Gyr Group AG’s total share capital and voting rights on March 31, 2019 and March 31, 2018.

Proposed Appropriation of the Accumulated Profit / (Deficit) and Statutory Capital Reserves

PROPOSED APPROPRIATION OF THE ACCUMULATED PROFIT/(DEFICIT)

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	2019	2018
Balance carried forward from previous year	(9,515,422)	(10,968,358)
Profit for the year	16,474,954	1,452,936
Accumulated profit/(deficit)	**6,959,532**	**(9,515,422)**

The Board of Directors proposes to the Annual General Meeting to carry forward the accumulated profit.

PROPOSED APPROPRIATION OF STATUTORY CAPITAL RESERVES

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	2019	2018
Statutory capital reserves as at March 31 [a]	994,146,251	1,064,500,869
Dividend payment of CHF 2.30 per share on 29,510,000 shares out of statutory capital reserves	–	(67,873,000)
Proposed dividend payment of CHF 3.15 per share on max. 29,510,000 shares out of statutory capital reserves [b]	(92,956,500)	–
Statutory capital reserves carried forward [c]	**901,189,751**	**996,627,869**

(a) Refer to Note 6 for the movements in statutory capital reserves during the year.
(b) Treasury shares held by Landis+Gyr Group AG or Landis+Gyr AG at the record date will not receive dividends. Accordingly, the total amount distributed will be lower.
(c) Amount depends on the total distribution.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the dividend will amount to CHF 3.15 per share. There is no withholding tax required to be paid. The last trading day with entitlement to receive the dividend is June 26, 2019. The shares will be traded ex-dividend as of June 27, 2019. The dividend is expected to be payable as from July 1, 2019.

Notes

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